

# KAZAKHSTAN



COUNTRY  
PROFILE 2010









# COUNTRY PROFILE 2010

## KAZAKHSTAN



*“One special trait of Kazakhstan is its interesting geographic  
and ‘geo-mental’ position.*

*Being at the crossroads of civilizations for millenia,  
Kazakhstan has become a truly Eurasian nation  
which unites both Asian and European qualities...*

*So, Kazakhstan is sometimes called  
an Asia in Europe and a Europe in Asia,  
and we try to bring out the best development of both.”*



---

## C O N T E N T

---

### **KAZAKHSTAN, A NEW DYNAMIC NATION.....7**

- *Country overview*
- *Economic overview*
- *Energy overview*
- *Political overview*
- *Foreign policy*

### **KAZAKHSTAN IMPLEMENTS FURTHER ECONOMIC AND POLITICAL REFORM.....29**

- *President Nazarbayev delivers 2009 annual State-of-the-Nation Address, lays out his vision of Kazakhstan's way through crisis to development*
- *President Nazarbayev invites to discuss his vision of global anticrisis strategy*
- *President Nazarbayev - The Audacity of Responsibility*
- *President Nazarbayev - Promise of Emerging Democracies*
- *Road to Europe. Kazakhstan announces its strategy on furthering ties with European countries in 2009-2011*

### **MILESTONES OF HISTORY.....46**

### **FIRST EIGHTEEN YEARS OF KAZAKHSTAN'S INDEPENDENCE.....50**

- *Political development*
- *Development of a civil society in Kazakhstan*
- *Political parties in Kazakhstan*
- *Legal, judicial reform, jury trial and alternative dispute resolution in Kazakhstan*
- *Media in Kazakhstan*
- *Eurasian Media Forum*
- *Kazakhstan as a model of interethnic and interreligious dialogue*

### **ECONOMIC OVERVIEW.....76**

- *General background*
  - *Key economic indicators*
  - *Kazakhstan announces joint action government plan to revive economic development*
  - *Kazakhstan's government continues helping citizens and businesses in times of crisis*
-

- 
- *Kazakhstan's energy sector: Global impact*
  - *Kazakhstan's position on the WTO after creation of the Customs Union*
  - *World Bank's programs in Kazakhstan*
  - *Avoiding "the oil curse" - the Strategy of Kazakhstan on new Industrial Development and Innovations and to join the world's 50 most competitive nations for the years 2003-2015*
    - *New development institutions of 2003 and the National Oil Fund of Kazakhstan*
    - *"National Wealth Fund "Samruk-Kazyna", JSC*
    - *Development institutions of Kazakhstan*
    - *National Fund of Kazakhstan*
    - *Regional Financial Centre Almaty*
  - *Banking and financing*
  - *Transport and Communications*
  - *Mining and smelting industry in Kazakhstan*
  - *Agricultural sector*
  - *How trade activity is regulated in Kazakhstan*
  - *Foreign investors' FAQ – profit repatriation and taxation in Kazakhstan*

## **FOREIGN POLICY: MAIN ACHIEVEMENTS AND NEW GOALS..... 175**

- *Brief overview*
- *Kazakhstan's relations with the US, China, Russia, Central Asia, and EU nations*
- *Contribution to international security*
- *Conference on Interaction and Confidence-Building Measures in Asia (CICA)*
- *Kazakhstan's position on some key international issues of today*
- *Kazakhstan's chairmanship in the OSCE in 2010*
- *Kazakhstan's steps forward on the road to democracy*

## **TOURISM.....225**

- *Astana, the new capital of Kazakhstan*
  - *Useful contacts*
-





Bayterek Tower, the symbol of Astana







## **KAZAKHSTAN, A NEW DYNAMIC NATION**

### **COUNTRY OVERVIEW**

A huge country covering a territory equivalent to the whole of Western Europe, Kazakhstan has vast mineral resources, enormous economic potential, rich traditions, culture and history. The varied landscape stretches from the mountainous, heavily populated regions of the south-east to the sparsely populated, energy-rich lowlands in the west, and from the industrialised north, with its Siberian climate and terrain, through the arid, empty steppes of the centre, to the fertile south.

The Kazakhs, descendants of ancient nomadic tribes and Turkic people of greater Eurasia and later having become part of Gengiz Khan Empire, created one of the world's last great nomadic empires in the late 15<sup>th</sup> and 16<sup>th</sup> centuries. Russia annexed their lands in the 18<sup>th</sup> and 19<sup>th</sup> centuries, moving settlers into the area. The Kazakh Republic was formed as an autonomous Republic within the Russian Federation in August 1920 and became a full Republic of the Soviet Union in December 1936. On December 16, 1991, Kazakhstan declared its independence.

Ethnically, the country is famously diverse. The Kazakhs making up more than half the population, the Russians comprising just over a quarter, and Ukrainians, Germans, Chechens, Kurds, Koreans, other Central Asian ethnic groups – all in all more than 130 ethnic groups - accounting for the rest. Peace and harmony in Kazakhstan has been internationally recognized as an example worthy of emulation.

Since independence, there has been major foreign investment in the Kazakh economy, particularly in the oil sector. Oil development has fueled rapid economic growth of the region. An oil pipeline linking the Tengiz oil field in Western Kazakhstan to the Russian Black Sea port of Novorossiysk opened in 2001. There are plans to escalate oil exports by linking Kazakh resources to the Baku-Tbilisi-Ceyhan pipeline which began operating in summer of 2005. A pipeline to China was opened in late 2005. Other routes are also being explored.

The years following independence have been marked by significant reforms to the Soviet-style economy and political monopoly on power. Since 1991 Kazakhstan has made significant progress toward developing a market economy and political pluralism. The country has enjoyed significant economic growth since 2000 averaging 10% annually until the global crisis of 2008; though reduced in 2009, the growth still remains positive.

In 1997, Kazakhstan launched the long-term national strategy “Kazakhstan 2030. Prosperity, Security and Improvement of Welfare of the Citizens of Kazakhstan”. The strategy identified seven national priorities for the period to the year 2030 which serve as a “road map” for Kazakh future growth:

- National security. Ensure development of Kazakhstan as an independent sovereign state preserving its complete territorial integrity;
- Safeguard and strengthen domestic political stability and national unity;
- Economic growth based on an open market economy with high levels of foreign investments and internal savings. Achieve realistic and sustainable rates of economic growth;
- Health, education and well-being of the citizens of Kazakhstan. Consistently improve living standards, health, education and opportunities of Kazakhstanis and improve the natural environment in the country;
- Energy resources. Effectively utilize energy resources of Kazakhstan through rapid increases in extracting and exploring oil and gas with the aim of gaining revenues to engender stable and diversified economic growth and improve living standards;
- Infrastructure and particularly transport and communications. Develop these key sectors to enhance national security, political stability and economic growth; and
- Professional government. Establish an effective professional corps of civil servants and state-owned formations of Kazakhstan loyal to the cause they serve and capable of acting as representatives of people in achieving national priorities.

Kazakh commitment to democratization is unwavering, but transitioning from a history of Soviet imposed authoritarianism to a full-fledged democracy cannot be accomplished overnight. The true measure of Kazakh commitment is its steady progress on the fundamental principles of establishing a functioning democracy and civil society.

In this respect, Kazakhstan has made notable advances in the constitutional reform, the rule of law, free and fair elections, an empowered parliament, civil liberties, and other reforms that were acknowledged when Kazakhstan was unanimously elected by OSCE member nations to chair the organization in 2010. While Kazakh scorecard as a democratic nation is not perfect, it has achieved high marks in many vital areas of democracy building.

**Independence:** December 16, 1991

**Population:** 16.5 million (as of spring 2009)

**Location:** Central Asia

**Capital:** Astana (population 700,000 as of 2009)

**Largest city:** Almaty (population 1,365,100 as of 2009)

**Area:** 2.7 million sq km

**Neighbours:** Russia, Turkmenistan, Uzbekistan, Kyrgyzstan, China, Azerbaijan and Iran through the Caspian Sea

**Boundaries:** total 7,459 miles (12,012 km (without Caspian shoreline). The Republic of Kazakhstan shares its longest borders with Russia, 4,251 miles (6,846 km) and China, 951 miles (1,533 km). It also borders 1,183 miles (1,894 km) the Caspian Sea. Comparative area: ninth largest in the world, equivalent to the size of Western Europe; Four times the size of Texas; Five times the size of France

**Constitution:** secular democracy

The Constitution was approved by referendum on August 30, 1995 and amended in 2007. It established secular democracy that values individual life, rights and freedoms, divided the Government between executive, legislative and judicial branches with a system of checks and balances. The 2007 amendments enlarged the powers of the Parliament, raised the role of political parties, thus transforming Kazakhstan from presidential into presidential-parliamentary republic

**Head of State:** President Nursultan Nazarbayev

**Major languages:** Kazakh, Russian; English is promoted as the language of international communication

**Major religions:** Islam, Christianity

**Life expectancy:** 62 years (men), 72 years (women) (UN)

**Monetary unit:** 1 Kazakh tenge = 100 tiyn (\$1=149.3 KZT as of December 2009)

**Main exports:** oil, uranium, ferrous and nonferrous metals, machinery, chemicals, grain, wool, meat, coal

**GNP per capital:** US \$6,140 (WB, 2008)

**Internet domain:** .kz

## Government

**President:** Mr. Nursultan Nazarbayev (at the split of the USSR elected president on December 1, 1991; as per new, amended Constitution elected to the first seven-year term on January 10, 1999; re-elected to the second seven-year term on December 4, 2005)

**Prime-Minister:** Mr. Karim Massimov (since January 2007)

**Chairman of the Senate of the Parliament** (upper chamber):

Mr. Kassym-Jomart Tokaev (elected January 2007)

**Chairman of the Majilis of the Parliament** (lower chamber):

Mr. Ural Mukhamedzhanov (elected October 2008)

**Secretary of State, Minister of Foreign Affairs:**

Mr. Kanat Saudabayev (since September 2009)

**First Deputy Prime-Minister:** Mr. Umirzak Shukeiyev

**Deputy Prime-Minister:** Mr. Erbol Orynbayev

**Chairman of the National Bank:** Mr. Grigory Marchenko





## ECONOMIC OVERVIEW

Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. Within the next decade, Kazakhstan would become one of the world's largest oil producers and exporters. Kazakh strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, well integrated into the global economy. The energy sector is viewed as a good basis to achieve this goal.

The future of Kazakh economy is closely connected with further integration into international economic relations, efficient use of unique reserves of energy and mineral resources, export of industrial and agricultural products, optimum employment of country's transit potential and also with availability of highly qualified manpower in different spheres.

During the Soviet period, Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. The main economic priority during the 18 years of independence has become the transition from the central command planning to a market system. Kazakhstan has made considerable progress in implementing complex political, economic and social reforms to establish a democratic state with a market economy.

While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social and environmental challenges.

The first few years of Kazakhstan's independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union). By 1995, real GDP dropped to 61.4% of its 1990 level. This economic deterioration, for example, exceeded the losses experienced by the U.S., during the Great Depression in the 1930s.



The wide-ranging inflation observed in the early 1990s peaked at annual rate of up to 3000% in mid 1990s.

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of state enterprises and deregulation. Today, it is generally considered to be more advanced in this respect than most other CIS countries. Kazakhstan remains one of the most successful reformers in the CIS, and it has the strongest banking system in Central Asia and CIS.

#### **Economic development in 2008**

Real GDP growth in January-December 2008 was 3.2%

Consumer price index – 9.5%

Investments in fixed capital stock – up 4.6%

Kazakhstan faced global economic slowdown in 2007-2008 with solid gold and foreign currency reserves and accumulation of the National Fund, which continued to grow within the first half of 2008 due to the world oil price rise. Total national reserves as of September 22, 2009 were over \$48 bln. Government debt comprised 1.5% of GDP, the budget deficit approximately 2% of GDP.

Because of its strong macroeconomic performance and financial health, Kazakhstan became the first former Soviet republic to repay all of its debt to the International Monetary Fund (IMF) in 2000, seven years ahead of schedule.

The main goals of current structural policy are diversification and the strengthening of the non-oil sector. A number of development agencies and research centers (development institutions) have been established, and the Government is looking at establishing techno and science parks to support the diversification of higher-value added industries.

The EU and the USA have recognized Kazakhstan (first in CIS) as a country with market economy in 2001 and 2002 respectively. The change in status recognized substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment, and government control over the means of production and allocation of resources. In September 2002, Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating from major international credit rating agencies. In January 2005, the Organization for Economic Cooperation and Development (OECD) has upgraded Kazakhstan's country export risks rating, moving it from the 5<sup>th</sup> to the 4<sup>th</sup> group of risks.

Kazakhstan with sizable amounts of oil and gas, coal, uranium is an important energy player in the world. However, having abundant resources, the Government and the country's energy sector keep an attentive eye on global energy trends. Optimal energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables are all on the country's energy policy agenda. In 2006, Kazakhstan has produced its first wheat-based bioethanol, and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. The EU and its Energy Commissioner have identified their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. Kazakhstan has made it clear that this fully meets its own vision for the development of multiple energy transportation routes from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakh strategy in this crucial area.

The main economic priority for Kazakhstan is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component. This is the central goal of the “Kazakhstan 2030” National Strategy adopted in 1998 and the State Industrialization and Innovation Programme until 2015 launched in 2003.

In 2006, Kazakhstan has additionally announced a major drive for the Strategy to join the 50 most competitive nations in the world in ten years time.

In 2007, a State Program of “30 Corporate Leaders of Kazakhstan” aimed at diversification of the economy has been launched. The goal of the program is to modernize the economy and support Kazakh companies willing to enter international markets through offering competitive products.

Diversification of the economy, introduction of international technical, financial, business standards, accession to the WTO, promotion of corporate governance, greater transparency and accountability, education and a concerted administrative reform have been identified as key drivers to implement the above strategies.

Global financial crisis which started in 2007 has evolved worldwide into a broader economic crisis, triggered by a freeze in credit markets, large wealth erosion, and a loss of confidence. Against this background, IMF analysts projected 2009 as a very difficult year for Kazakh economy. Lower oil and commodity prices, adverse conditions in international financial markets are negatively affecting confidence, credit availability, and foreign exchange inflows.

In these circumstances, the government of Kazakhstan has pro-actively introduced a set of policies under its Anti-Crisis Program to help mitigate economic vulnerabilities and establish a basis for the resumption of strong growth. It has benefited from the prudent policy stance it followed in earlier years which meant Kazakhstan entered the current difficult period with a large fiscal surplus, low public debt, and a substantial stock of foreign currency assets.

- In 2006, the Government has drastically increased the budget of a state-run scholarship programme “Bolashak” (“Future”). While in 2005 only about 800



Oil production in the Caspian Sea.

Kazakh students could enjoy the benefits of “Bolashak” scholarship since its inception in 1993, starting from 2006 the Government fully funds 3,000 Kazakh students annually (approximately, \$50,000 per person) to study in the world’s best universities.

- Aiming to cut bureaucracy, the Government is widely introducing the “e-government” in all major sectors. This measure coupled with other result-oriented administrative reform steps is viewed, among other things, as an important tool in the fight against red-tape and corruption.
- As part of an effort to overcome economic and financial crisis on October 13, 2008 Sustainable Development Fund “Kazyna” and National Holding on Management of State Assets “Samruk” were reorganized and merged into Sovereign Wealth Fund “Samruk-Kazyna”.
- Over the last three years (2005-2008) 21 Kazakhstan companies have been listed at the London Stock Exchange (10 on the main market, and 11 on AIM, market for growth companies). This has proved Kazakhstan’s de-facto leadership in the former Soviet Union in implementing Western instruments, managerial skills and business standards in the country’s economy.
- Starting in 2005, Kazakhstan has been practically implementing the Extractive Industries Transparency Initiative (EITI) with the aim to deliver a clear signal to international investors community and financial institutions that the Government of Kazakhstan is committed to greater transparency to further improve investment climate, strengthen accountability and good governance, as well as promote greater economic and political stability throughout the





country which will be based on the principles of decentralization, industry specialization, free market competition and transparency. In February 2009, EITI Chairman presented Kazakhstan with the award for significant contribution in implementing the Initiative, noting the leadership shown in establishing resource transparency.

- Kazakhstan has officially announced its aspiration to become a trilingual nation to help meet its ambitious goals. These are Kazakh as the state language, Russian as the language of interethnic communication, and English as the language of successful integration into the global economy and community.
- Social and political stability, along with tremendous natural resources, make Kazakhstan one of the most attractive destinations for capital investments.



Ministry of Energy and Mineral Resources

## ENERGY OVERVIEW

Minister of Energy and Mineral Resources: Mr. Sauat Mynbayev

President, “KazMunaiGas” (National Oil & Gas Company): Mr. Kaïrgeldy Kabyldin

Other organisations: Kazakhstanugol Corporation (State Coal Company); Kazakhstan Electricity Grid Operating Company (KEGOC); Kazatomprom (National Atomic Company)

Major Oil and Gas Fields: Tengiz (oil), Karachaganak (natural gas and condensate), Kashagan (off-shore, oil), Uzen, Kumkol, Korolev, Tenge, Uritau (natural gas), Zhanazhol

Major Oil Ports: Atyrau, Aktau, Bautino and Kuryk on the Caspian Sea

Oil Export Pipelines: Caspian Pipeline Consortium (CPC) – Tengiz-Novorossiisk (Russia); Uzen-Atyrau-Samara (Russia); Kenyak-Orsk (Russia), Kenyak-Atyrau (Kazakhstan), Atasu-Alashankou (China)

Major Oil Refineries (crude oil refining capacity): Pavlodar (162,666 bbl/d); Atyrau (104,427 bbl/d); Shymkent (160,000 bbl/d)

Major Power Plants (capacity): Ekibastuz no.1 (4000 megawatts, MW), Yermak (2400 MW), Zhambyl (1230 MW)

Current Oil Reserves: 32.5 billion barrels (twice as much as the North Sea)

Projected Oil Reserves: 100-110 billion barrels by 2015 (would be in top 5 of the world)

Oil Production (2008): 70.7 million tonnes

Oil Consumption (2008): 12.3 million tonnes

Net Oil Exports (2008): 62.8 million tonnes

Crude Oil Refining Capacity: 14.5 million tonnes (17.5 million tonnes by 2015)

Current Gas Reserves: 3 trillion cubic metres



Projected Gas Reserves: 5 trillion cubic metres by 2015  
Natural and Crude Gas Production (2008): 33.5 billion cubic metres  
Natural Gas Consumption (2008): 8.9 billion cubic metres  
Net Natural Gas Export (2008): 5.6 billion cubic metres  
International Transit of Gas (2008): 97.7 billion cubic metres  
Coal Reserves 35.8 billion tons (or 3.6% of the world reserves)  
Coal Production (2008): 104.9 million tons  
Coal Consumption (2008): 58.5 million tons  
Coal Export (2008): 33.0 million tons  
Electric Generation Capacity: about 19.5 gig watts (GW)  
Electricity Generation (2008): 80.0 billion kilowatt-hours (kWh)  
Electricity Consumption (2008): 80.6 billion kilowatt-hours (kWh)  
Uranium Reserves: 1.5 million tonnes (or 20% of the world reserves)  
Uranium Production (2008): 8512 tonnes

As is clear from the above overview, Kazakhstan is rich in oil and minerals. Industry analysts believe a planned increase in oil production and the development of new oil fields will enable Kazakhstan to produce as much as three million barrels per day by 2015, lifting the country into the ranks of the world's top 10 oil producing nations. Major oil and gas fields and their recoverable oil reserves are Tengiz with 7 billion barrels (1.1 bln. tons); Karachaganak with 8 billion barrels and 1.35 trillion m<sup>3</sup> of natural gas; and Kashagan with 7 to 9 billion barrels (936 mln. to 1.2 bln. tons).

One of the country's top priorities is the efficient development of its Caspian offshore energy resources. Recent developments in this area give hope that further development of North Caspian oil and gas fields will start in a not too distant future.

Originally, the status of the Caspian Sea was regulated by the bilateral treaties of 1921 and 1940, made between the former Soviet Union and Iran. With the breakup of the Soviet Union, offshore territorial rights have generally become more complex.

Russia supports Kazakhstan and Azerbaijan, arguing for the delineation of the seabed based on the principle of equal distance or median line, this basically depending on the length of the shoreline. In 2002, Kazakhstan signed bilateral agreements with Russia and Azerbaijan on delimitation of the Northern Caspian seabed and the joint development of the Khvalynskoe, Tsentralnoe and Kurmangazy offshore oilfields with Russia.

In 2003, Kazakhstan has adopted a State Programme of development of the Kazakhstan sector of the Caspian Sea. Its main target is to boost environmentally safe oil and gas production to generate revenues to help diversification and modernization of the whole economy, to make in highly competitive and non-dependent on oil and gas sector. In 2006, the Phase II of the Strategy was commenced.

Kazakhstan has an abundant supply of accessible mineral and fossil fuel resources. According to estimates, Kazakhstan has the second largest uranium,

chromium, lead, and zinc reserves, the third largest manganese reserves, the fifth largest copper reserves, and ranks in the top ten for coal, iron, and gold.

The demand in the world for quality uranium fuels increases year by year. Nuclear power plants produce 17 per cent of world electric power. Forty new power generating units are being constructed in fifteen countries of the world. Kazakhstan has been an important source of uranium for more than fifty years. Approximately one fifth of world uranium reserves are deposited in Kazakhstan. Total resources and reserves of uranium are over 1.5 million tonnes, over 1.1 million tonnes of which can be mined by the in-site leaching method. Some 50 uranium deposits are known, in six uranium provinces. Between 2001 and 2008, uranium production in Kazakhstan rose from 2,000 to over 8,000 tonnes per year, and further mine development is underway with a view to reaching a production rate of 15,000 tonnes a year by 2010, making Kazakhstan the biggest uranium producer in the world. The state owned National Atomic Company Kazatomprom is the sole organization for uranium mining, reprocessing, export and import operations in Kazakhstan.

Having abundant natural energy resources, the Government and the country's energy sector keep an attentive eye on global energy trends. Optimal energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables are all on the country's energy policy agenda. In 2006, Kazakhstan has produced its first wheat-based bioethanol and this private sector programme will expand further. There are also plans to set up wind farms in the mountainous region of Almaty. The law on using renewable energy has been implemented lately. Kazakhstan has numerous opportunities for international cooperation in this area and welcomes participation of the most advanced companies in realization of alternative energy projects inside the country.

Energy transportation and infrastructure are key elements of a viable energy policy. EU and its Energy Commissioner identified last year their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. Kazakhstan has made it clear that this fully meets its own vision for the development of multiple energy transportation routes from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakh strategy in this crucial area.









## POLITICAL OVERVIEW

Kazakhstan is a presidential-parliamentary republic. The president is the head of state. The president also is the commander in chief of the armed forces and may veto legislation that has been passed by the Parliament. The prime minister chairs the Cabinet of Ministers and serves as Kazakh head of government. There are three deputy prime ministers and 16 ministers in the Cabinet. Karim Massimov has been serving as the Prime Minister since January 10, 2007.

Kazakhstan has held a number of presidential elections. In January 1999, the first ever alternative presidential election with four alternative candidates for the Presidency took place. Observed by OSCE. In December 2005, a new presidential election took place with 5 alternative candidates, two being major opposition leaders. President Nursultan Nazarbayev has been re-elected for a new seven-year term in office after he contested with four other candidates and won the majority of the votes with about 80% of turn out. In May 2007, the Constitution was amended to fix two terms for presidency and reduced one presidential term from seven to five years, increased the powers of Parliament so that the executive branch is more accountable to it. This was introduced in accordance with the OSCE recommendations.

As in many other countries, Kazakh President annually delivers to the people his vision, so called “road map”, for future development of the country – State of the Nation Addresses. Comprehensive democratization programme was formulated by President Nursultan Nazarbayev in his “State-of-the-Nation” in the fall of 1998 and is being gradually and persistently implemented.

On February 6, 2008 President Nursultan Nazarbayev delivered his annual State-of-the-Nation Address announcing a number of important initiatives. The focal points of his speech were economic development, further political





modernization and democracy, social security and strengthening of Kazakh international alliances. To support Kazakh new and important role as the chairman-elect of the OSCE in 2010, President Nazarbayev initiated in his State-of-the-Nation Address a new program, "Path to Europe", which will facilitate "promoting economic cooperation, attracting new technologies and management expertise and also assist in improving our legislation and setting up the agenda for our chairmanship in the OSCE".

On March 6, 2009 President Nursultan Nazarbayev delivered his latest State-of-the-Nation Address which, in current uneasy times, focused primarily on the ways of tackling the global financial crisis. "This crisis came to us from without. Its origins are not in this country, - they are rooted in the imbalances of the global economy," the President said. He reassured the people of Kazakhstan the country is not only ready to face these challenges but will overcome them with dignity and emerge from the crisis as a strong nation and prosperous society.

Kazakhstan has become one of the first countries in the world to swiftly react to the crisis and start implementing preemptive measures. The Anti-Crisis Plan includes such elements as maintaining stability of the national financial system, supporting housing construction and promoting small and medium-sized businesses, agriculture and industry as well as innovation projects. All in all, more than 2.7 trillion tenge (about \$18 bln.) was injected in Kazakh economy in late 2008 to support anti-crisis efforts. President Nazarbayev stressed that, in spite of any difficulties, the Government must meet all its social obligations, particularly





related to the increase in social benefits and pensions as well as salaries for civil servants.

Kazakhstan has a bicameral Parliament, made up of lower house (the Majilis) and upper house (the Senate). Since the 2007 Constitutional reforms the number of MPs has been increased:

From 39 to 47 members in Senate. The President appoints 15 of them from the choice of prominent public figures, academics, intellectuals etc.

From 77 to 107 members in Majilis (main legislative body). 98 of the Majilis deputies are elected in a nationwide constituency on the basis of proportional party lists. 9 of the Majilis deputies are elected by the Assembly of the People of Kazakhstan (an umbrella grouping of more than 130 ethnic groups in Kazakhstan).

Parliamentary elections:

December 1999 – first ever alternative parliamentary elections carried out on party basis with 8-9 candidates per seat and 9 parties taking part in elections, observed by OSCE.

September 2004 – new parliamentary elections, the clear sign that Kazakhstan is continuing on the path to democratic reform; millions of people - fifty six per cent of those eligible to vote - took part in multi-party elections to the Majilis (lower parliamentary house) which were held under the new, more advanced Election Law adopted in April, 2004.

August 18, 2007 – latest parliamentary elections and first held on proportional representation or completely party-lists based system.

Election results: Majilis - percent of vote by party - Nur-Otan 88.1%, NSDP 4.6%, Ak Zhol 3.3%, Auly 1.6%, Communist People's Party 1.3%, Patriots Party 0.8% Ruhaniyat – 0.4%; seats by party - Nur-Otan 98%. Note - parties must achieve a threshold of 7% of the electorate to qualify for seats in the Majilis. To rule out the possibility of a one-party Majilis in future, new amendments were adopted to the election legislation in February, 2009 providing the right to gain seats for a party that comes second in the national elections even if this party does not overcome the 7% barrier.

The Constitution of the Republic of Kazakhstan approved through a national referendum in August 1995 replaced an earlier “Soviet-style” constitution adopted in the wake of independence from the Soviet Union. The Constitution provides for a democratic, unitarian and secular state. State governance is divided among the executive, legislative and judicial branches. The President is considered the head of state.

The Constitutional Council is charged with the responsibility of deciding when to hold presidential and parliamentary elections, and examining legislation for compliance with the Constitution.

There are nine political parties in Kazakhstan as compared to 13 in 2006. Four parties representing supporters of the current Government merged by the end of 2006, and as a result “Nur-Otan” - a new pro-presidential pro-reform party able to effectively represent interests of its numerous supporters - emerged on the political stage. Also in 2006, a number of leftist parties were registered. On January 25, 2007, the All-Nation Social Democratic Party was reregistered.

The beginning of 2007 has seen a robust process of mergers and consolidation of political parties, including opposition ones, particularly, in the run-up to 18 August, 2007 parliamentary elections. After the failure of major opposition Nagyz Ak Zhol Party in 2007 parliamentary elections the party leaders decided to re-brand it. As a result the party emerged with a new name - “Azat” (“Freedom”). A major leadership shake-up followed that effort. The new “Azat” Party has effectively completed its reregistration. Later All-Nation Social Democratic Party and “Azat” Democratic Party declared their previously announced merger complete during a joint congress held in Almaty on October 2009. The leaders of the new formation called it Azat ASDP.





## FOREIGN POLICY

### Foreign policy achievements:

- Recognition of national sovereignty by the international community;
- Delimitation and international recognition of its borders;
- Implementation of a multi-vectored foreign policy;
- Implementation of integration-related projects;
- Formation of Kazakh positive image on the international scene;
- Friendly and problem-free relations with all neighbours and other partner countries, particularly in Asia, Europe, America;
- Promotion of economic potential and investment attractiveness of Kazakhstan;
- Protection of national political and economic interests abroad;
- Kazakhstan's Chairmanship in the OSCE in 2010 and in the Organisation of Islamic Conference in 2011.

### Kazakhstan's major foreign policy initiatives:

• The Conference on Interaction and Confidence-Building Measures in Asia (CICA). It was initiated by President Nursultan Nazarbayev in 1992 at the 47th session of the UN General Assembly. The first CICA summit was held in Almaty on June 4, 2002. Representatives from about 20 countries took part in the event (including Afghanistan, Pakistan, Iran, Israel, Palestine, China, Russia, etc.) and adopted the CICA Charter "Almaty Act". At the second summit in Almaty on June 17, 2006 member states adopted the CICA Catalogue of Confidence Building Measures. The third CICA summit is to be held in 2010 in Turkey, the new elected Chairman of CICA.

The Congress of World and Traditional Religions. The first Congress took place in Astana on September 23-24, 2003. Senior clergy representing Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other confessions adopted a Declaration stating that "extremism, terrorism and other forms of violence in the name of religion have nothing to do with genuine understanding of religion, but are threat to human life and hence should be rejected." The Second Congress was held in Astana on September 12-13, 2006. Leaders of major world and traditional religions signed a solemn declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism. The Declaration, signed by leaders of 41 delegations representing Islam, Christianity, Buddhism, Judaism, Shinto, Taoism and Hinduism as well as non-governmental organizations and representatives of a number of governments, calls for "placing a particular focus on what religions hold in common rather than what divides them." The third Congress was held in Astana on July 1-2, 2009.



The Forum “One Common World: Progress through Diversity”. It was initiated in 2007 with a purpose to enhance a genuine inter-civilisational high-level political dialogue between Muslim countries and the West; the first Ministerial Forum was held on October 17, 2008 in Astana.

As part of the International Stabilization Forces in Iraq, Kazakh military engineers unit was stationed in Iraq under the US command from 2003 to October 2008. During its mission the unit has destroyed four million units of ammunition. Kazakh military medics rendered medical aid to more than 2500 Iraqi citizens and troops as well as trained about 300 Iraqi medical experts.

Action plan for Afghanistan – to support coalition forces Kazakhstan provides free over-flight, emergency landings and non-military land transit of supplies. Under Governmental Action Plan on Assistance to Afghanistan for 2007-2008 \$3 million were allocated to supply grain, build school, hospital and road in this country. In November 2009, Kazakhstan and Afghanistan signed an agreement under which Kazakhstan will allocate \$50 million to educate 1,000 Afghans in specialties needed for the rebuilding of that country.





## ETHNIC AND SOCIAL DIVERSITY

Kazakh ethnic composition, and the promotion of peace and harmony, is the driving force behind much of the country's political and cultural life. The country's principal ethnic groups include Kazakh (65%), Russian (25.9%), Ukrainian (2.9%), Uzbek (2.8%), Uighur, Tatar and German (1.5% each), and other groups. There are more than 130 ethnic groups living in peace in Kazakhstan.

Two major religions in Kazakhstan are Islam and Christianity (57% and 40% of all believers, respectively). Most Muslims in Kazakhstan belong to the Sunni denomination of Islam, while most of Christians belong to the Russian Orthodox Church. The rest constitute other religions – there are more than 40 confessions in Kazakhstan which are organised in more than 3000 religious organisations. It is worth mentioning that although most people in Kazakhstan associate themselves with a certain religion, most of the population is not deeply religious.

Kazakh, spoken by over 52% of the population, is the state language. Russian, spoken by almost everyone, enjoys equal status under the Constitution and is a means of interethnic communication in Kazakhstan. Newspapers, TV/Radio programs, school instruction are done in 11 languages (Kazakh, Russian, Uzbek, German, Korean etc.). English is being widely promoted by the Government as the tool for Kazakh successful integration into the global community.

Ninety-nine percent of people aged 15 and can read and write.





## CIVIL SOCIETY

There are more than 5,000 NGOs in Kazakhstan operating in such areas as politics and civic development, human rights, business, environment, education, health care, gender policy etc.

Above 80% of mass media in Kazakhstan are private with more than 2,000 independent newspapers and more than 100 independent TV, Radio and electronic media.

Representatives of about 46 religious confessions organized in about 3,000 religious organizations enjoy religious freedom in Kazakhstan with Sunni Islam and Christian Orthodox being predominant in figures.

People of more than 100 ethnic groups live in peace and harmony in Kazakhstan with Kazakhs, Russians, Ukrainians, Uzbeks, Germans, Tatars, Uighurs, Belarusians, and Koreans being predominant in figures.



## **KAZAKHSTAN IMPLEMENTS FURTHER ECONOMIC AND POLITICAL REFORM**

**PRESIDENT NAZARBAYEV DELIVERS  
2009 ANNUAL STATE OF THE NATION ADDRESS,  
LAYS OUT HIS VISION OF KAZAKH WAY  
THROUGH CRISIS TO DEVELOPMENT**



On March 6, 2009, President Nursultan Nazarbayev delivered his annual State-of-the-Nation Address which, in current uneasy times, focused primarily on the ways of tackling the global financial crisis.

“This crisis came to us from without. Its origins are not in this country - they are rooted in the imbalances of the global economy,” the President said.

He reassured the people of Kazakhstan that the country is not only ready to face these challenges but will overcome them with dignity and emerge from the crisis as a strong nation and prosperous society.

President Nazarbayev emphasized that the Government has taken some decisive measures to address the detrimental influence of the global downturn on Kazakh fledgling financial system.



For the economy to be viable and flexible a large scale structural reform has been unleashed, pace of economic diversification maintained and a new mechanism for saving financial resources – the National Fund – created.

Kazakhstan has become one of the first countries in the world to swiftly react to the crisis and start implementing preemptive measures. The Anti-Crisis Plan includes such elements as maintaining stability of the national financial system, supporting housing construction and promoting small and medium-sized businesses, agriculture and industry as well as innovation projects. All in all, more than 2.7 trillion tenge (about \$18 bln.) has been injected in Kazakh economy to support anti-crisis efforts.

President Nazarbayev stressed that, in spite of any difficulties, the Government must meet all its social obligations, particularly related to the increase in social benefits and pensions as well as salaries for civil servants.

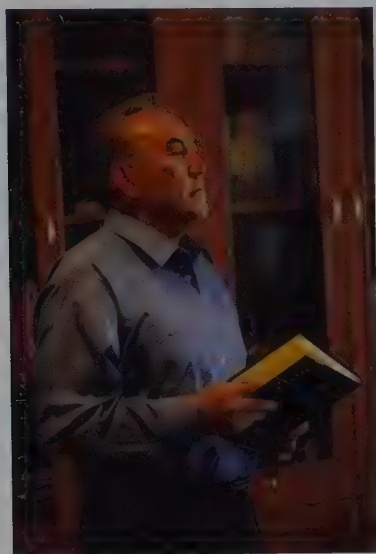
“Prosperity, security and better well-being for all people of Kazakhstan remain the triune priority for our state,” Nursultan Nazarbayev highlighted.

The President referred to Kazakh future as “a strong and prosperous state enjoying the world’s respect”, thus reconfirming the country’s adherence to its foreign policy priorities and international commitments.

For full text of the President’s address, please visit [www.akorda.kz](http://www.akorda.kz)

48

## **PRESIDENT NAZARBAYEV INVITES TO DISCUSS HIS VISION OF GLOBAL ANTICRISIS STRATEGY**



Recently, Kazakh President Nursultan Nazarbayev has authored a broad article where he presented his ideas on the current financial developments in the world as well as reflected on long-term ways of dealing with the crisis.

The article is not a clear cut concept or sophisticated action plan, nor is it a panacea which is expected to bring immediate relief for global financial maladies. Rather, President Nazarbayev presents his ideas for an honest and informed debate to jointly look for the ways of overcoming the current unfavorable conditions. In the best tradition of polemics, President Nazarbayev offers his vision as an invitation for an open minded discussion on our common future.

### **THE KEYS TO THE CRISIS** **by Nursultan Nazarbayev**

The global world crisis which is shaking the countries and continents today is a special phenomenon unknown to mankind ever before. It is definitely an unprecedented phenomenon which does not have its analogy in world history and which is cardinally changing the world order with all its economic foundations. That is why for its analysis, understanding and for overcoming it a totally different approach is required which should reexamine all the old dogmas and stereotypes.

In this connection it would be unproductive to look for extremities and guilty persons. At this time of crisis it is more important to concentrate on finding out the inner defects of the system which have led to such large-scale cataclysms, and it is

even more important to find out ways for their total eradication. For doing so one should have the courage to admit that we are standing at the threshold of creating a radically new model of world economy, politics and global security which has been built up in a different way.

There is no other choice available to us, if we really intend to utilize effectively this unique opportunity of overcoming the shortcomings of the Old World and building up a New one. It is obvious that this requires within a short period of time colossal efforts on the part of entire world community, and mobilization of intellectual and financial resources. We need to develop a radically new logic and work out new general “laws of movement” concerning this transition which we can provisionally call as the World of Global (or Great) Transition. Let us first mark out the basic reasons of this global crisis and its sources.

### **Deep-rooted global defect**

1,500 years ago a great thinker of Eurasia had said: “External strength is the fruit of inner power.” We can slightly rephrase this thought and say in definite terms that “External crisis is born out of internal crisis.”

Obviously, the present global crisis is not at all a natural calamity, it is neither a result of accidental coincidence of circumstances, it is a natural external consequence of some deep-rooted internal defect.

Unless we are able to clearly define and outline this global crisis, all our efforts to rectify the world currency and finance system with which the present crisis has actually begun, will have only a cosmetic character. In such a case the unrectified defect will lead to new crises in future also with accruing frequency and with more serious consequences.

It so happened that the whole of our world has somehow unexpectedly and imperceptibly got into the tunnel of global crisis from where nobody is able to see where the “exit” is.

The crisis has taken place, probably, because we still look at the today’s world, as well as at the future New World, through the prism of old tools of thinking. But to start radically updating ourselves, we have to first update our entire thinking. Accordingly, it is necessary to update all the concepts, categories, theories, plans, concepts of thinking and the terms which are used to designate the facts and the phenomena of the New World.

What underlies the development of the whole world? The world capital as an ever reproducing global wealth is the prime mover of its development. And what underlies this capital? The answer is – the system of world currency. And what underlies the system of world currency? The system of world currency is run by the mechanism of its generation and circulation – the laws, procedures, issuers, channels, users etc.

The above is an extract from President Nazarbayev’s article.  
For full text of the President’s article, please visit [www.akorda.kz](http://www.akorda.kz)



## THE AUDACITY OF RESPONSIBILITY

### Nursultan Nazarbayev President of Kazakhstan

Today, as we see evidence of economic stabilization in key areas of the world and as the international outcry for fundamental structural reform of the global economy recedes somewhat from the media spotlight, there is an urgent need for leaders to reinvigorate and renew their commitment to root and branch economic reform.

And the starting point must be the world's obsolete and dangerous dependence on a single currency - the US dollar - as effectively the sole global reserve currency. I would argue that the root of the international financial and economic crisis which has shattered the dreams of literally hundreds of millions of people worldwide lies not so much in the sub-prime mortgage market in the US or in the greed and avarice of bankers and others in the global financial services industry (as obviously damaging as these factors have been) but rather in a fundamental, what I will call "genetic", defect in the world currency system.

The essence of the problem is that the issuance and circulation of world currencies such as the US Dollar does not meet the basic criteria of a rapidly changing global economic and political landscape. Where is the fairness, for example, of a single country pursuing monetary policies designed to meet its own domestic needs and priorities but whose decisions based purely on domestic affairs affects the everyday lives of hundreds of millions if not billions of people and the fortunes and fate of other nations?



In the eyes of those who are basically forced to use and rely on a de facto, not de jure, global reserve currency, the current situation smacks not only of unfairness, but it has no legal standing. Where are the mechanisms that should guarantee legality, responsibility, accountability and control? To put it bluntly, they simply do not exist, and will not exist unless there is a concerted global effort to find an enduring solution that would minimize the risks of the world plunging into yet another cataclysmic economic meltdown.

Today, different recipes are offered by global and national elites for resolving the current crisis; five ways stand out in particular.

The first could be termed as “Passively Awaiting for the Bottom”. In other words, let’s just wait until the economists and media pundits agree that we have hit the economic bottom and the recovery has begun and we can all breathe a sigh of relief and return to business as usual. But when a doctor tells us a disease is in “remission”, we all know that that does not mean it has been cured. The real “bottom” of this crisis will be when we start actively removing the cancer of its fundamental, underlying cause.

Some might argue that there are halfway steps that are alternatives to radical currency reform. They cite currency swaps as one way forward, and some of our neighbors have used such a mechanism as a way of overcoming some of the worst effects of the crisis while dealing with their partners in Asia, Europe and America. But it is a short-term solution that in no way alters the “genetic defects” of the world’s monetary system.

A third option can be defined as the “Re-make the Dollar Idea”. Its core principle is to accept the notion that we turn one national currency into a “supranational” currency. Several countries have already announced their intentions to implement “the Dollar idea”, but only to disguise the weakness of their own national currencies or situations. Would such a “Re-make” eliminate the deepest of defects in the global financial architecture? Of course not.

The fourth idea is to create a “Supranational Issuer”, as idea that is gaining more and more supporters. It would be based under most plans on the creation of some synthetic currency or payment unit composed of a basket of existing currencies or units, such as the Special Drawing Rights (SDR) issued by the International Monetary Fund. But if individual currencies are individually defective, simply clumping them in a single basket would still be fundamentally defective. And would its value reflect true global economic conditions, or (unless perhaps gold were included in it) would its value be as illusory and subject to manipulation as currency markets are today?

Does this option really eliminate the genetic defects of the old system? Does it alter the genetic code that has caused this unprecedented crisis? Obviously not. But there are some sensible ideas being discussed among global policy-makers, such as modifying the SDR basket of currencies through the inclusion of the Chinese Yuan, Russian Rouble and gold. This modified SDR basket could be a logical step towards the creation of a new class of currency; one that truly reflects changing world economic trends and which is more closely aligned to the real value of goods and services.

The creation of regional currencies is a variation on this theme, and could prove to be a crucial stepping stone to creating a more stable financial architecture. In Latin America the five-member ALBA group of countries is pursuing a policy to create by 2010 a new supranational electronic unit known as the "Sucre". A similar project is underway among Persian Gulf States with a 2011 target.

Here in Eurasia, I have already suggested to my counterparts in the Shanghai Cooperation Organization that we too should consider the adoption of a supranational electronic payment unit that would supplement, rather than replace national currencies. It would help us to fund large-scale regional infrastructure projects as well as to put trade on a more stable footing. And the issuance of such a unit would be based on the strategic national, regional and global interests of SCO member states and Eurasian countries as a whole.

Asia is also a candidate for the creation of a new regional currency. Joseph Stiglitz, the Nobel Prize Economics Laureate, recently spoke in Bangkok about the need for Asian countries to take a lead in creating a new supranational world reserve system. This could be done through the 20 member states of the Conference on Interaction and Confidence-Building Measures in Asia. At its next summit it could create a working group to develop ideas for an Asian supranational electronic exchange unit.

The need for such developments was recently highlighted by a report from the United Nations Conference on Trade and Development, which described the current currency system in the world as inefficient and which for the first time said the global reserve currency system should be reconsidered.

Finally, this way forward could be termed "Currencies of a New Class". It would involve a joint effort of like-minded countries in working out and adopting a supranational payment unit (followed eventually by a currency) of an altogether new quality. Its radical innovation would be the transition from old monetary units of illusory value to a currency that accurately tracked the real value of goods and services.

Such a currency would be created under an international legal framework agreed to and ratified by the majority of countries. It will be a tool for measuring real economic value. Unlike the old system, the new one would be a financial tool of purposeful profit and competition, and would serve the common, long-term goals of global economic development for all the world's people, rather than just serving the greed and senseless accumulation and consumption of a tiny minority.

The task is essential, realistic and pragmatic; mankind has successfully overcome many more complicated challenges. What we need to start with is the desire and political will of all future users of the proposed currency, followed by the formation of a single organization, under the auspices of the United Nations, to begin the step-by-step practical work that will lead to the fulfillment of our collective vision.

I believe we can solve this problem radically, relatively quickly and effectively. The main impediments are the present world financial and currency system and the elites who have benefitted so much from it. Looking back over the past year,



can any rational person describe the old failed system as democratic or fair or managed in the best interests of the majority of its users? Hardly so. I would even go so far as to use the word totalitarian to describe it. The development and promotion of this now failed, de facto world currency and financial system is the main cause of the global crisis. Unless the world's countries create a new, truly democratic, fair, free and responsible currency and financial system, we will not really have emerged from the crisis, even if a degree of economic growth returns.

This crisis we have experienced has been brutal, but it also offers every country in the world a true and unique opportunity to determine its own future in a democratic and responsible way according to the options I have outlined above. But we need to put in place the international financial and economic infrastructure and architecture that can help turn those decisions into reality.

Our passive expectation of an economic bottom and the prospect of better times ahead without the need to undertake radical and fundamental reform is an irresponsible surrender of our future to a past that has led the world into an unprecedented crisis.

Today, the leaders of the world should have a special audacity of responsibility before their citizens, the world and future generations. I call on them to take the first essential step, to abandon the failed and unjust policies and systems of the past and to start developing the key requirements for the creation of the equitable, fair and democratic world currency of tomorrow.



President Nazarbayev at G8 Summit in St. Petersburg in June 2006

## **THE PROMISE OF EMERGING DEMOCRACIES**

### **Nursultan Nazarbayev President of the Republic of Kazakhstan**

The world is remaking itself. Amid pressing economic challenges and multinational security concerns, new alliances are forming. Global commerce along with governments are bringing down borders, opening relationships and creating opportunity. Kazakhstan, like most emerging democracies, is cautiously optimistic, with a pragmatism steeped in the hard lessons of history. Policies have consequences; alliances can liberate as well as captivate. With the stroke of a pen, superpower leaders like Presidents Obama and Dmitry Medvedev of Russia can reverse a decade of tepid relations to put forces and agendas into motion that affect all of us.

Nowhere in the world is the influence more keenly felt than in Kazakhstan and Central Asia, positioned as we are between Russia, China, Iran and Afghanistan. Here, a breeze in global diplomacy among nations like Russia, the United States and China can have the impact of a blinding windstorm, leaving us to wonder about our role and influence within these relationships.

МДІК ЖӘНЕ ДӘСТҮРЛІ ДІНДЕР  
ЛИДЕРЛЕРІНІҢ ІІІ СЪЕЗІ

09 жылғы 1-2 шілде, Астана



III CONGRESS OF LEADERS OF  
WORLD AND TRADITIONAL RELIGIONS

July 1-2, 2009, Astana



III Congress of Leaders of World and Traditional Religions in Astana

Bellicose nations rattle sabers to garner attention and receive a concession here and there; certainly, their tactics make the nightly news. Others push America and Western democracies to the brink before backing off and waiting for another strategic push in their quest for a place among nuclear nations. Emerging democracies like Kazakhstan, on the other hand, while not the focus of media attention, have a responsibility and role to play on the global stage that is far more consequential to the welfare of freedom-loving nations.

The objective of Mr. Obama and Mr. Medvedev to cut their nuclear arsenals by a third is indicative of that role. The current size of those arsenals was influenced greatly by a decision our nascent democracy made 18 years ago to permanently shut down the Semipalatinsk nuclear test site, which set the stage for a decision to safely dispose of 104 SS-18 intercontinental ballistic missiles we had inherited from the Soviet Union, each tipped with 10 nuclear warheads. To put this in perspective, North Korea, which the world cautiously watches, is believed to have enough plutonium for only a half-dozen atomic bombs.

Keeping the weapons could have made Kazakhstan a larger player in our potentially volatile region, and surely the world would be more aware of us today. There were some who encouraged us to keep the arsenal. But larger considerations, including the role and responsibility of emerging democracies like ours, weighed heavily in the decision. Our focus was on building a new economic and political model in Kazakhstan, and we had a firm belief that our future and welfare rested on commercial and security relationships in the West.

Our desire was to engage in what I like to call cooperative leadership, pragmatic and constructive engagement with the myriad and often complex forces in our



region. This was the philosophy that prompted us to dismantle our arsenal and pursue relations not only with the United States, but with Russia, China, Iran and, in fact, all nations that see opportunity in Kazakhstan.

On Aug. 29, we celebrated the anniversary of our decision, and the philosophy of cooperative leadership that inspired it continues to benefit Kazakhstan and our relationships throughout the world. A dedication to democratic values, the rule of law, transparency, tolerance and open trade has led to stability and a strong, well-educated middle class. This increasingly firm foundation at home enables us to play an important role among nations abroad, providing strategic engagement and opportunities for cooperation among countries that often may be overlooked, as well as among those who may not be inclined to work together otherwise.

Sharing common values of freedom and peaceful development, democracies firmly support each other. That is why since the Sept. 11 terrorist attacks that shocked the entirety of mankind, Kazakhstan has stood shoulder to shoulder with the United States in the fight against international terrorism and today provides much-needed assistance for the stabilization of Afghanistan.

As an emerging democracy practicing cooperative leadership, Kazakhstan is able to encourage dialogue even among adversaries. Our recently concluded third annual Congress of Leaders of World and Traditional Religions is only one example, with spiritual leaders attending from almost every faith and nation to promote tolerance and understanding. Likewise, our quest to establish an



international nuclear fuel bank to be governed by the International Atomic Energy Agency, which would allow nations like Iran and others to openly and honestly pursue their energy agendas, finds support among leaders in the United States, Russia and China. Recently, Israeli President Shimon Peres proposed Kazakhstan as the site for a historic meeting with key leaders from his country, Saudi Arabia and the Islamic world.

This is how emerging democracies can make a difference. In the absence of the entrenched and sometimes dogmatic divisions of the past, young entrants on the global stage of freedom can offer an environment for pragmatic solutions. Mr. Obama understands this. Two weeks after his election, he called to discuss regional cooperation, nonproliferation measures and energy cooperation. At that time, and many times since in public statements, he has favored pragmatism as the basis for civilized statecraft.

Some have suggested this is an inadequate approach for charting the new direction in foreign policy that Mr. Obama has promised. However, I believe those criticisms are misconceived. Pragmatism is necessary in nation-building and more likely to evoke a positive response from allies than an ideological crusade. Emerging democracies understand this challenge, undertaking in decades an experiment that has engaged America for much more than 200 years. Cooperative leadership is the important role we can play and the example we can set for others.

The above is a text of the article published in the Washington Times on September 8, 2009

## **PATH TO EUROPE**

### **Kazakhstan announces its strategic plan on furthering ties with European countries in 2009-2011**



On September 4, 2008, President Nursultan Nazarbayev of Kazakhstan approved the strategic national program “Path to Europe” for the years 2009-2011.

According to observers, “The program is aimed at raising the level of strategic partnership with leading European countries through Kazakhstan-Europe trade boost, joint transport network plans, adjustment of standards and regulations to the EU norms as well as improvement of Kazakh legislation with due account of the European experience”.

The program represents a serious and long-term vision and effort to bring Kazakhstan closer to Europe and its values. Kazakh “Path to Europe” is clearly not about “geography”, rather it is about the country’s sincere aspiration and endeavor to associate itself with best technological, economic, business, educational, social and civic standards of the West in general. Kazakhstan aims to nurture and adopt these values and practices in its emerging society and this example is expected to cast positive impulses throughout the region.

The program sets three major goals:

first, stepping up cooperation between Kazakhstan and European countries in technology, energy, transport, trade, living standards, humanitarian cooperation and small business development;

second, improving Kazakh legislation by perfecting laws on media and elections, conducting reforms in the state administration and legal system, liberalizing political system;

the third goal is to have Kazakhstan properly prepared for the OSCE Chairmanship in 2010.





## TECHNOLOGY, ENERGY AND TRANSPORT COOPERATION

Technology cooperation with European countries should be aimed primarily at the attraction of advanced new technologies to Kazakhstan. Such cooperation, including on nanotechnology and biotechnology, is to enhance the capacity of Kazakh technological parks and overall technological capacity. It is vital to develop a network of information exchange in the areas of science, new technologies and innovations.

The essence of this goal is to provide for progressive implementation of European standards and regulations in Kazakh practice. It is also hoped that such an approach will open access for Kazakh agricultural products to European markets and enhance Kazakh-European cooperation in agriculture.



Kazakhstan plans to continue acquiring energy infrastructure facilities in European countries to consolidate its presence in the European markets.

It is important to explore and adopt European principles of energy efficiency, investment protection, access to energy transport infrastructure, tariff reform etc. Cooperation on renewable energy is another important element of the program.

Further development of Eurasian transcontinental transport corridors is to be promoted. The program targets enhancing the integration of the national transport system with all-European transport chain.

### **Deepening trade and economic partnership**

Trade turnover between Kazakhstan and European countries is on the rise. Bearing in mind that Kazakh export is mainly raw materials and mineral resources, the Government concentrates its efforts on diversifying the economy by promoting investments in processing industries.

In order to deepen trade and economic ties between Kazakhstan and European countries, Kazakhstan will establish an umbrella Trade Mission in Europe with branch offices in a number of countries.

The main objectives of the Trade Mission in Europe will be the following:

- analyze the influence of European economic policies on Kazakh economic interests and presence in the European markets;
- analyze European trade legislation and provide for fuller compliance of Kazakh trade laws with internationally recognized instruments;
- draft recommendations to Kazakh businesses on promoting their products in the European markets;
- create favorable conditions for Kazakh companies to facilitate their access to international markets;
- diversify the structure of Kazakh export to Europe, including within the framework of the General System of Preferences (GSP).



### **SME Development**

Cooperation with Europe on SME development is to provide further improvement of Kazakh investment climate. The program is aimed at providing for greater compliance of Kazakh legislation with European laws and regulations on small and medium businesses; improving the taxation system, providing secure access to bank loans and other financial instruments, implementing joint business projects, sharing respective experience in structuring the state support for business development.

### **Cooperation on technical regulations and metrology**

Cooperation on technical regulations and metrology is to raise the level of food safety, increase competitiveness, reduce technical barriers to trade, and decrease administrative pressure on businesses in Kazakhstan.

The program's objectives include attracting new European technologies in the areas of transport and communications, agriculture, energy, environment and health protection.

Introduction of new technologies will be accompanied by the adoption of fresh technical standards and regulatory framework. Besides, the program envisages revamping of Kazakh laboratories and research centers to comply with European standards.

### **Cooperation on raising the living standards**

The program envisages enhancing Kazakh cooperation with European countries in this vital area to raise the living standards and environmental protection in Kazakhstan up to European level. This includes joint projects on protecting and researching biodiversity, addressing climate change and clean up of polluted rivers, lakes and land.

Another dimension of this cooperation is the improvement of the medical services quality in compliance with European standards with Kazakh priorities being medical technology, infrastructure and management, training and scientific exchange, prevention, diagnostics and treatment of illnesses, availability and quality of drugs, and higher nutrition standards.

High quality professional education is the next important aspect of cooperation in this area. European experience and standards will be the basis for reforming the national system of education. Various approaches are planned to implement these reforms, including Kazakh participation in the European exchange programs (Erasmus Mundus and TEMPUS) and on the bilateral level with certain European countries.



This part of the program takes due account of all major social issues, including employment, labor migration, support of the disadvantaged and disabled, etc.

### **Human dimension**

Kazakhstan will enhance its active support for building partnerships among local and European civil society institutions, promote ideological integration and the development of social partnership.

European experience will be used in further promotion of a balanced gender policy.

Kazakhstan, in turn, is ready to share its experience and expertise in building effective mechanisms of promoting and maintaining religious and ethnic tolerance.

### **INSTITUTIONAL AND LEGAL FRAMEWORK**

Kazakh Government strives to reform and modernize legislative, political and economic networks, including public administration and judiciary systems, legislation on elections, media and political parties. These efforts are aimed at liberalizing Kazakh political system and adjusting it to the best international practices by setting up professional trainings for Kazakh officials in European structures and promoting exchanges among Kazakh and European state agencies.

### **PRIORITIES FOR KAZAKHSTAN'S OSCE CHAIRMANSHIP**

In light of its OSCE chairmanship in 2010, Kazakhstan has developed its priorities for the chairmanship. They are to be officially presented at the OSCE in Vienna in early January 2010. They will focus on promoting democratic institutions and tolerance throughout the OSCE space, enhancement of transit and transport potential of the OSCE member countries, environmental security, confidence building and regional security, fight against terrorism, extremism, drug and human trafficking as well as assistance to Afghanistan.

### **PROGRAM'S EXPECTED RESULTS**

- Strategic partnership with leading European countries in political, economic and cultural areas;
- Increase of annual trade turnover with European countries by 10 percent;
- Exchange of top level official visits with no less than five European countries annually;
- Signing MOUs with the European Union on the development of transport routes to link Kazakhstan to all-European transport networks;
- Adoption of technical regulations and standards in compliance with EU norms;
- Improvement of the national legislation in accordance with European standards;
- Promoting Kazakh interests in Europe.

## MILESTONES OF HISTORY

Kazakhstan is located in the heart of Eurasia, on the intersection of ancient social, economic and cultural routes between many nations, ethnic groups and civilisations. During different periods in history many states with their unique cultures were established and developed on the present day territory of Kazakhstan.

The Scythian nomadic civilisation existed in the steppe regions of Central Asia during the first centuries of the first millennium B.C. Some artefacts of this civilization can still be found. The most impressive artefacts from this era are household goods and personal adornments made from bronze and gold in so called “animal style”. The “Golden warrior prince” tomb is well known for its beauty and elegance. It was found near a settlement called Issyk which is located very close to Almaty city.

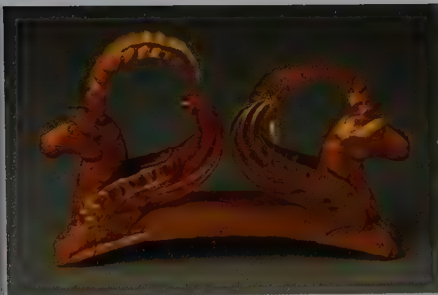
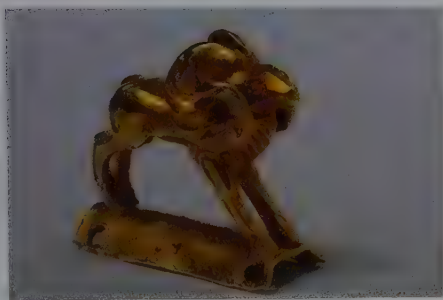


The Golden Warrior Prince

During the following centuries the powerful tribe called Huns established themselves in the steppe region of present day Kazakhstan. It had a great influence on the political development of this area at the time. An army of Huns led by their great warlord Attila the Hun brought down the Roman Empire.

Later on Turkic tribes became the successors of the Huns. They created some vast states named “kaganats” which means empire. These empires covered the territory from the Yellow Sea in the East to the Black Sea in the West. These nomad states had well developed cultures for that era: there were several cities with advanced levels of commerce and trade. Step by step the cities and caravan sarais were established at Central Asian oases. It was a part of the historical route known as “The Great Silk Road” which connected Byzantium with China. Other caravan routes were important as well. Among them were the roads leading along the Syr-Dariya River that led to the Aral Sea and the Urals, the so called “sable road” from Central Kazakhstan and Altai to southwest Siberia. Europe and the Middle East were supplied with very valuable furs by this route. Big cities and commercial centres were built along these trade routes, the most famous among them being Farab, Taraz, Kulan, Yassy (Turkestan), Sauran and Balasagun.

The Great Silk Road trade route played a major role in the development of commercial relationships and trade and in the exchange of progressive scientific and cultural ideas. The great eastern philosopher Al-Farabi lived on the territory of the present-day Kazakhstan from 870 to 959 and was known as the Second



Teacher after Aristotle for his research into philosophy, astronomy, mathematics and the theory of music. Hodja Ahmed Yassawi was a well-known Moslem bard who lived in the 12th century; he wrote a famous poem called the book of wisdom. A new form of city architecture developed at that time became a major historical achievement. This new style was famous for its elegant proportions. At the same time a unique type of portable dwelling called "yurta" (nomad's tent) was invented by nomads. Yurta has a perfectly designed structure for the life style that these people led.

In 1221, nomadic tribes led by Genghis Khan occupied Central Asia. This invasion had a great influence on the development of the Kazakh nation.

Kazakhs had emerged as a distinct ethnic group about that time, forming a tribal confederation known as the Kazakh Khanate (or Orda) which comprised three tribal unions – Elder, Middle and Lesser Zhuzes each of which were led by Khans.





The merger of different nomadic tribes began in the second half of the 15th century. These tribes had different cultures and traditions but had a similar life style. The word "Kazakh" is translated from the Turkic language as "free, independent" and perfectly reflects the character of the nation in general with its aspiration for freedom at all times.

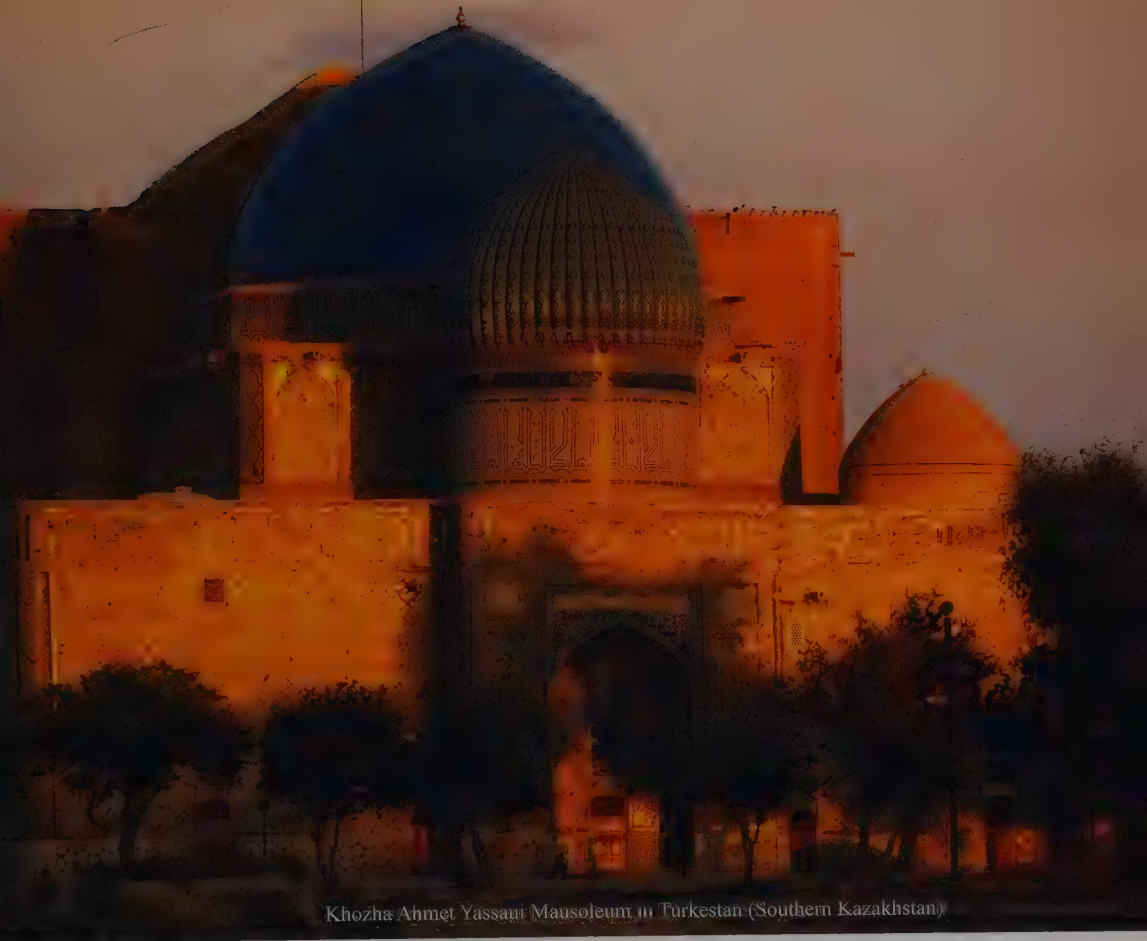
The Kazakh khanate appeared at the time when there was a political crisis caused by the downfall and collapse of the huge nomadic empire. This caused a lot of small states to be created which were in constant conflicts between themselves for control of the territory and parts of the Great Silk Road trade route. Subsequent dynasties of Genghis-Khan and their rivals also played a certain role in the political instability of the region.

Since the end of the 16th century the main goal of Kazakh khanate has been to promote the integrity and inviolability of its territory.

Certain events that took place at the beginning of the 18th century show that there was a lack of resources for the defence and development of Kazakh independence. A very powerful and aggressive neighbour called Dzhungar Khanate was on the border of the Kazakh khanate. This fact made Kazakh Khans reconsider their diplomatic relations with Russia and to change them not only for good trade relations but also into an alliance for the military defence of the Kazakh khanate and Russia against Dzhungar aggression.

At the beginning of the 18th century the political situation along Kazakh borders and in the Kazakh khanate itself was very unstable. There was a possibility of the disintegration of the khanate. That is why khans of the Lesser and the Medium zhuz Abulkhair and Sameke made a decision to accept being a protectorate of Russia as it was the only condition under which Russia would agree to grant military defence and protection.

This protectorate very shortly turned into the colonisation of Kazakhstan by Russian military forces. Abylai Khan made a successful attempt to resist this process of colonisation. He managed to do the impossible by gaining the independence of the Kazakh khanate under very unfavourable internal and external circumstances. He used the fact that China and Russia had a lot of disagreements at the time (the 18th century). Unfortunately, the independence of the Kazakh khanate did not continue after his death.

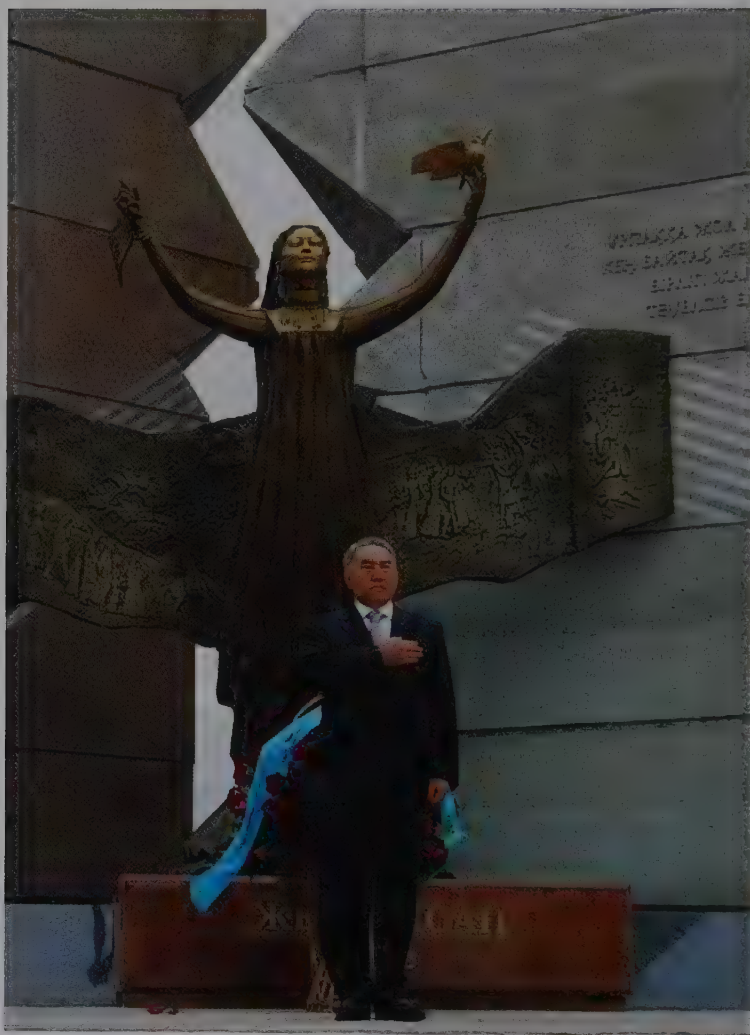


Khozha Ahmet Yassawi Mausoleum in Turkestan (Southern Kazakhstan)

Some Kazakh intellectuals founded the national liberation movement in 1917-1918. The “Alash” party and the “Alash-Orda” government were established at this time to defend the independence of Kazakhstan. They wanted to liberate the Kazakh people from colonization and to provide real independence for the people of Kazakhstan. The fate of the people participating in this national liberation movement turned out to be very tragic.

Despite many uprisings, Tsarist Russia retained control over the Kazakh tribes until the Bolshevik Revolution. Incorporated into the emerging Soviet state, Kazakhstan was made an autonomous republic” and in 1936 was promoted to the status of a full Soviet republic. With the collapse of the Soviet Union, Kazakhstan declared independence on 16 December 1991. Kazakh recent history as a newly-independent state is best described as transitional as the country is fast developing from a command economy to a market economy and democracy.

## FIRST EIGHTEEN YEARS OF KAZAKH INDEPENDENCE



Eighteen years have passed since Kazakhstan declared its independence on December 16, 1991. At the end of the 20th century, Kazakhstan has got a chance to become an equal partner within the family of independent nations of the world. The 18 years of independent development proved the chance was not wasted as evidenced by the country's achievements in all areas of development of the state, society and economy.



Kazakhstan, however, shared with its fellow former Soviet republics the fiscal chaos emanating in the wake of the sudden collapse of the Soviet Union in 1991, which included hyperinflation, plummeting industrial production and, in Kazakhstan case, an exodus of many of its most highly trained ethnic Russians. Between 1992 and 1999, Kazakhstan lost two million of its six million Russian Soviet inhabitants. More than 4 in 5 unemployed Kazakhs lost their livelihood in the aftermath of the Soviet economic implosion. In 1992, the first year of independence, inflation soared to 2,960 percent.

Kazakhstan's government quickly moved to stop the flow of some of its most highly skilled population by instituting major economic reforms. The government has subsequently used its oil revenues not only to reform the economy, but to restructure the country's Soviet educational legacy and begin creating an educational system on a par with more economically advanced countries. The Government realized that the country's future prosperity was inextricably linked to deepening commitments with Western fiscal and governmental institutions, and the Kazakh government swiftly began to implement reforms that would make the nation increasingly attractive to foreign interests, while avoiding the more severe consequences of the financial shock therapy that Western advisers inflicted on neighbouring Russia.

Rising oil revenues have given the government very deep pockets with which to institute its reforms. Estimates of Kazakh oil-related wealth over the next two to three decades vary from \$27 billion to \$96 billion. Accordingly, Kazakhstan is "first" among its CIS neighbours - Kazakhstan was the first to pay off its debts to the International Monetary Fund in 2000 following economic reconstruction (seven years ahead of schedule), the first to obtain a favourable credit rating, the first to implement financial institutions approaching Western standards of efficiency and reliability, and the first to develop and introduce a fully-funded nationwide pension program.

Besides rising oil revenues, one of the key elements in Kazakh economic success has been its ability to attract foreign investment, which in 2001-2003 surged to 13 percent of GDP and is currently running at almost ten times the rate of its neighbours. In validating the structural reforms carried out by the Kazakh government, the European Union formally recognized Kazakhstan as a market based economy in October 2000, while Washington in March 2002. Proof of the "trickle down" effect of oil revenue has been the dramatic drop in the nation's poverty; according to UN figures, Kazakhstan halved its poverty rate in just five years, which fell from five million or 39 percent of the population in 1998 to three million or 20 percent in 2003, the lowest poverty rate among the "Stans."

Kazakhstan is pursuing a strategic policy aimed at ensuring a staged democratization of all the fields of social and political life. In a short span of time a transfer from one party dictatorship to a multi-party system and pluralism has been conducted. The indicators of the true democratization processes are the

promotion of the citizens' rights and liberties, development of independent mass media, formation of the civil society's institution.

- The results of the 18 year independent state development in the economic field are also remarkable. Liberal economy with advanced market based infrastructure and one of the most progressive among the post Soviet countries financial and economic system with stable national currency, tenge, have been created. Kazakhstan has a favourable investment climate. It is experiencing the growth of domestic production and development of up-to-date information technologies.
- The social sphere has made transfer from the ideology of state paternalism to a well-thought people-oriented social policy. A national education model is being formed and developed. Acquisition of independent statehood gave a stimulus to development of cultural and historic heritage of all ethnic groups living in Kazakhstan. The society maintains political stability and inter-ethnic harmony. The Assembly of People of Kazakhstan - a unique body in the post-Soviet area representing the interests of all the ethnic groups living in Kazakhstan was established to deal with the inter-ethnic policy issues.
- A doubtless achievement in the military and political field for the 18-year period of independence is the formation of the Armed Forces, a reliable guarantor of the national security and territorial integrity of the state.
- In its foreign policy, Kazakhstan has had significant achievements, too. In a short period of time, the Government have ensured the country's smooth integration into the world community. Meeting the aspirations of the people of Kazakhstan and contributing to global and regional security, President of Kazakhstan shut down the Semipalatinsk nuclear testing site, chose a nuclear weapons free status for Kazakhstan, and obtained as security guarantees from the nuclear states.
- Kazakhstan has gained international prestige, recognition and respect for its commitment to further promote internal economic and democratic development and contribute to global and regional stability and cooperation. In December 2007, Kazakhstan was unanimously elected OSCE Chairman in 2010 as the republic achieved a new level of international recognition. It is an evidence of the country's growing importance in the international arena.

## POLITICAL DEVELOPMENT

Reforms in Kazakhstan's political system began immediately after independence. Transition to democracy commenced under the difficult conditions.

- The country was experiencing social and economic crisis resulted in industrial recession, hyperinflation (up to 3,000%), and drastic decline in living standards.
- The basis for market-based economy, one of the principal economic prerequisites for democratization, was non-existent.
- In the wake of the USSR collapse the former Soviet states have been experiencing aggravation of their foreign relations.
- There was no political pluralism, multi-party system, independent mass media, NGOs in the country.
- There were no historically evolved democratic traditions and democratic institutions.
- This was the context in which the new political system has started to be developed in Kazakhstan. It went through three stages.
- During the first stage (1990 – 1993) the principal goal was to dismantle the previous political structure: the Soviet control system and the Communist Party's political monopoly. This stage saw the formation of the basics of the parliament-president political structure.
- During the second stage (1993 – 1995) a new model of Kazakh political system has been selected. The model was to reflect the political, economic, social and cultural, psychological, geopolitical and ethnic specificities of the country. The changes in the political structure were initiated in the first Constitution in 1993. A principle of separation of powers was fixed therein: the executive and judicial bodies were defined for the first time as independent branches of the government. The first alternative elections to the Parliament were held; new local government bodies – maslikhats – were elected.
- The third stage (1995 – 1998) brought further the evolution of the political structure – the core of which was the adoption through 1995 Referendum of the new Constitution and the election of a professional bicameral Parliament.

The current development stage (since September 1998) is characterized by further intensification and promotion of democratic principles in the political system of the country. It began with promulgation in autumn 1998 of the President's message on Democratization Programme, amendments to the 1995 Constitution and other legislative acts expanding the Parliament's powers. A major commitment to further political reform came in 2005 in the wake of the country's steady economic success and robust growth. In February 2005, State-of-the-Nation Address and September 2005 Address to the joint session of both Houses of the Kazakh Parliament the President has spelled out a comprehensive programme of further political reform.



The programme places a special focus on such issues as the enhanced role of the Parliament, nurturing of political parties and civil society institutions, building genuinely free media sector, efficient, fair and transparent judiciary system and institutions supporting the rule of law, developing and enhancing the traditions and culture of good and efficient local governance, including elections of local governors etc.

These issues have been widely and meticulously debated in the society under the auspices of the State Democracy Commission purposely established in 2006 and composed of representatives of government, legislature, political parties, NGOs and media. The State Democracy Commission came up with a comprehensive summary of the extensive public democracy debate at the end of 2006 and the above key elements of the broad political reform programme are being put in place in two phases between 2006 and 2011.

Addressing the Parliament in September 2005, President Nazarbayev acknowledged challenges Kazakhstan would face as it moves toward greater democracy, and confirmed his strong commitment to walk this path to its end: "Indeed, we do not have established democratic traditions, and we will move forward through trials and mistakes. This will not be an easy path. We know that. We must carry out these complex historical changes in the hope that we will bring the people of Kazakhstan even closer together for the sake of our common future."

President Nursultan Nazarbayev reinforced his commitment to continuous political reforms, in his annual State-of-the-Nation Address in 2007. He stressed that modernizing the political system will ensure political stability for the future. Further democratization is being encouraged in Kazakhstan: the new independent institution of Ombudsman on human rights set up in 2002 is further enhanced. An Ad Hoc Working Group of highly respected independent experts has been set up to produce recommendations on amending the Constitution.

The main provisions of the constitutional reform can be summarised as follows. Firstly, a more effective and balanced system of checks and balances is being formed, alongside the strengthening of the Parliament role. Secondly, a wider participation on the part of the society in the governing process is guaranteed through the strengthening of the political parties' role. Thirdly, new opportunities to form democratic institutions and the new democratic culture are created. Fourthly, the independence and effectiveness of the judiciary is strengthened, the volume of guarantees to protect constitutional human rights and freedoms is widened.

On May 21, 2007, the President signed a Law amending the Constitution. These changes are based on the proposals of the State Democracy Commission and Ad Hoc Working Group and enlarge the powers of the Parliament, raise the role of political parties, thus transforming Kazakhstan from presidential into presidential-parliamentary republic. Kazakhstan has entered a new stage of its socio-political development and modernisation. The Constitutional reform is of historic value and aims to ensure further progressive development towards giving more extensive and real content to the notion of democracy.

On June 21, 2007, the renewed Constitutional Law "On elections in the Republic of Kazakhstan" entered into force, introducing reforms unprecedented in Kazakhstan and the entire region. A proportional representation, political parties-based system for election into Majlis is introduced. Concurrently, to foster further development of the societal consensus and to ensure ethnic groups representation in the highest legislative body of the country and further consolidation of the multiethnic society, the Assembly of the People of Kazakhstan gained the status of the constitutional body together with the fixed quota of seats – 9 mandates in the lower chamber of the Parliament. The transition to the procedure by which the Government is formed by the parliamentary majority party has been completed. Depending on the outcome of the elections, partial state funding of political parties is introduced. From now on the maslikhats become the basis of local self-government. A number of ODIHR recommendations and suggestions have been implemented.

On August 18, 2007, the early election to the Parliament took place as per the amended Constitution. This was the first election to a new, completely party based Parliament thus signalling the gradual move of Kazakhstan from a strong Presidential form of rule towards the parliamentary majority system.

Today, it is widely acknowledged Kazakhstan has accomplished a lot on its way to a free and independent Kazakhstan. This has become possible due to the internal political stability, persistent economic and democratic reforms and the recognition and support of the world community. Kazakhstan has crossed the threshold of the third millennium being dedicated to the values and principles of democracy. The country has set up the basic social and economic conditions for further development of democratic processes.

Former U.S. Secretary of State Henry Kissinger on October 15, 2005 in Astana said: "Kazakhstan, a country located at the crossroads of great civilizations and a leading supplier of energy to world markets, is playing a very important role both in the region and in the entire world. The country is witnessing significant economic and political progress".

In a statement on Kazakhstan's Independence Day in December 2009, U.S. Secretary of State Hillary Clinton said: "The United States was the first country in the world to recognize Kazakhstan's independence, and in the years since we have worked closely together to improve economic ties, chart a responsible and reliable energy future, ensure regional security, and reduce the threat of nuclear weapons. Kazakhstan earned the respect and gratitude of peace-loving people all over the world by renouncing its nuclear arsenal and becoming a leader on non-proliferation. The United States looks forward to Kazakhstan's continued international leadership when it assumes the chairmanship of the OSCE next year."

During his visit to Kazakhstan in October 2009, President Nicolas Sarkozy said: "For France, Kazakhstan is an absolutely strategic partner in a region of the

world which needs stability. Since her independence, Kazakhstan has experienced absolutely fantastic growth. Kazakhstan is a stable country where minorities live in peace, which isn't that common in the region. Kazakhstan who had a lot of nuclear weapons on her territory, decided a few years ago to give up all forms of nuclear weapons. I think that's a good choice. How happy I'd have been for other countries in the region to make that choice, a choice of peace which we owe to the President. If that could give some ideas to some of her close neighbours; you see, that alone, that's something which counts. I can tell you something else, here, it's a country where there's a Muslim majority, and where there's a very large religious minority who are respected. For me this is important. Kazakhstan has a leading role to play in stabilizing this sub-region and helping us understand it better, because we want to avoid having here the ingredients for a clash between West and East."

On May 22, 2008, Russia's newly elected President Dmitry Medvedev mentioned during his visit to Kazakhstan that "Astana did not become the first foreign capital that I visited as the president of Russia by chance. The main thing is that Russia values the genuinely friendly and mutually-advantageous relations with Kazakhstan, our strategic partner."

On June 19, 2008, Japanese Prime Minister Yasuo Fukuda after his meeting with President Nursultan Nazarbayev hailed the booming development of Kazakh capital city: "We are proud of our contribution to the development of Astana. I would like to express my respect towards the people of Kazakhstan who, since gaining their independence, have overcome various difficulties and in such a short span of time achieved present day prosperity and success".

## **DEVELOPMENT OF A CIVIL SOCIETY IN KAZAKHSTAN**

The ideas of a civil society, a law-abiding state and free market economy were taken as a basis of our country's development. Basic principles of a civil society in Kazakhstan are the recognition of ideological and political pluralism and separation of state and public institutions. Citizen's rights to establish political, public and professional organization are legally protected.

The development of non-governmental organizations is one of the most significant achievements. They carry out a role of intermediaries between the State and citizens, commit many functions of social transformations in the society, contribute a lot to various areas of social life: human rights, democracy, election, ecology, equal rights of women in the society, consumer rights, youth rights, lonely mothers and families with many children, orphans, invalids, victims of illegal reprisals, etc.



More than 5,000 non-governmental organizations are functioning in the country today, solving social problems and promoting more active involvement of citizens in the society's democratization processes. About 50,000 individuals are permanently employed by NGO, 50 thousand are temporary employed as experts and more than 100,000 individuals act as volunteers.

At the first stage of the development, non-governmental organizations existed basically on foreign grants. During this time, more than 500 non-governmental organizations were established. These non-governmental organizations were aimed basically at civil rights protection. The 1998 Program of democratization of the country increased the role of non-governmental organizations as key element of democratization of Kazakhstan society.

Conditions of non-governmental sector development have changed cardinally today. The comprehension of the important role of this social institute by the society is progressing now. The quality of organizational and practical support by the state of non-governmental organizations acquires now a special meaning. In 2001, the Law of the Republic of Kazakhstan "On not-for-profit organizations" was adopted and became a real step towards the recognition of the role and place of non-governmental organizations. Registration of the non-governmental organizations was greatly simplified.

The code of the Republic of Kazakhstan "On taxes and other obligatory payments in the budget" of June 12, 2001, provides significant tax advantages for NGOs.

The Concept of the State support of the non-governmental organizations was adopted in January 2002. It determines the purposes and priorities of the state support of the non-governmental organizations. Recognized leaders of non-governmental sector, as well as representatives of international organizations (UNDP, TESIS and Counterpart Consortium) took part in the development of the Concept.

The Resolution of the Government of Republic of Kazakhstan "On the Program of the state support of non-governmental organizations of Republic of Kazakhstan for 2003-2005 years" was adopted in 2003. The purpose of the Program of the state support to non-governmental organizations of the Republic of Kazakhstan was the creation of conditions for sustainable development of non-governmental organizations as an indispensable part of the civil society and strengthening of their role in resolving significant social problems of the society on the basis of interaction with the Government.

The development of new laws "On non-governmental organizations in the Republic of Kazakhstan" and "On the state social order" has begun. Laws are aimed at the formation of the new model of relations in realization of the social policy in the Republic of Kazakhstan, creation of steady and effective system of relations between the state and public sector, maintenance the legal basis of activity of non-governmental organizations and carrying out of the State social order by them on a competitive basis.

## POLITICAL PARTIES IN KAZAKHSTAN

Kazakhstan's law on political parties prohibits parties based on ethnic origin, religion, or gender. There are nine political parties in Kazakhstan as compared to 13 in 2006. Four parties representing supporters of the current Government merged by the end of 2006, and as a result "Nur-Otan" - a new pro-presidential pro-reform party able to effectively represent interests of its numerous supporters - emerged on the political stage of Kazakhstan. Also in 2006, a leftist Nationwide Social Democratic Party was registered joining the ranks of several other opposition parties. The beginning of 2007 has seen a robust process of mergers and consolidation of political parties, including opposition ones, particularly, in the run-up to 18 August, 2007 parliamentary elections.

The Communist Party (the CP) was registered on August 27, 1998, and reregistered on March 20, 2003. Mr. Serikbolsyn A. Abdildin is the first Secretary of the CP. The Party membership is 90 000. The Party branches operate in all regions of the country. The membership is mainly comprised by war and labor veterans, workers and pensioners. The main goals of the CP are to build social freedom and justice in the country based on principles of scientific socialism and to create the communist social order.

The "Nur Otan" National Democratic Party ('The Light of the Fatherland') was established in January 1999 and was registered by the Ministry of Justice of the Republic of Kazakhstan in February 1999. The Party membership is more than 700,000. The party has branches in all regions of the country, as well as in cities of Astana and Almaty. Social base of the Party is staff of state-funded institutions, students, scientists, academics, representatives of small and medium business, etc. The party aims at pursuing economic and political reforms, increasing living standards, supporting social fairness and stability of society, and advocating multi-national and multi-ethnic harmony. It has ever since been the ruling party in Parliament and increased its share of parliamentary seats from 42 to 67 when it merged with the Asar party, Agrarian party and Civic party in 2006. In July 2007, following constitutional amendments, Mr. Nursultan Nazarbayev was elected chairman of Nur Otan. For its party list Nur Otan registered 126 candidates.

Kazakhstan Patriots' Party (KPP) was established in August, 2000 and reregistered in March, 2003. A small party, the KPP is sometimes critical of certain government policies, but in general supports most of the presidential initiatives. The party, led by Mr. Gani Kasimov, aims to establish a governmental system based on the rule of law and democratic principles and promotes a civil society with a market economy where living standards are raised. Party membership is 172 000. The Party has its structural divisions in 12 regions, towns and districts.

Kazakhstan Social and Democratic Party "Auyl" ('Village') was registered on 1 March 2002, reregistered on April 2, 2003 and promotes itself as a party for rural districts. As such it focuses on the development of agriculture and the protection

of the interests of agricultural workers. Auyl furthermore supports economic and political reforms aimed at the further democratization of society, and increasing the living standards of citizens. The party generally supports the policies of the President but was not represented in the outgoing parliament. Auyl is headed by Mr. Gani Kaliyev and succeeded in registering 33 candidates on its proportional list. Party membership is 61 043. The Party has its structural divisions in all regions of Kazakhstan.

“Ak Zhol” (‘Bright Path’) Democratic Party was registered on April 3, 2002 and reregistered on December 12, 2002. It promotes itself as opposition party. The party is led by Mr. Alikhan Baimenov, who ran as the party’s candidate for president in the 2005 elections. Just before those elections Ak Zhol split and the more critical wing of the party registered under the name Nagyz (Real) Ak Zhol. The only oppositional party to win a seat in the 2004 elections, Ak Zhol characterizes itself as ‘constructive opposition’ and Mr Baimenov later became a key player in the President’s Commission for Further Democratization of Kazakhstan. In 2006 the party signed a cooperation agreement with the Adilet party and the two parties ran a joint list consisting of 98 candidates for the upcoming elections. Ak Zhol advocates an independent, democratic and free Kazakhstan, and supports the fundamental values of democracy, independence, freedom, fairness and justice. Suffered the electoral catastrophe in August 2007 parliamentary elections, winning 3,09 % of public vote.

Communist People’s Party of Kazakhstan (CPPK) was registered prior to the 2004 parliamentary elections, competing with the opposition Communist Party of Kazakhstan but did not win any seats in Parliament. The CPPK, headed by Mr. Vladislav Kosarev, registered a proportional list numbering 20 candidates. Largely pro-presidential, the party promotes Marxist-Leninist ideology, but adapted to the new realities of social development.

“Adilet” Democratic Party of Kazakhstan is registered on June 14, 2004. The Party consists of 70 000 people. Mr. Maksut Narikbayev is a Chairman of the Party. The party has branches in all regions of the Republic and in Astana and Almaty. The main goals of the party are – development of the legal democratic social state, strengthening Kazakh economy and civil society. On July, 8 2007 at the fifth congress of Democratic Party “Adilet” it was decided to join “AK ZHOL” Democratic Party of Kazakhstan.

Azat/former Nagyz-Ak Zhol (major opposition party) was established on April 29, 2005 as a result of division with DPK “AK ZHOL” and was registered on March 17, 2006 under the title “Real AK ZHOL”. The number of members comprises 97 157 persons. The party has its branch offices in all oblasts as well as in cities of Astana and Almaty. Mr. Bulat Abilov is Chairman. “AZAT” is the party of middle class. After the failure in August 2007 parliamentary elections party leaders decided in March 2008 to re-brand Nagyz-Ak Zhol party, with a new name and a leadership shake-up. On April 11, 2008, the party was registered with a new name.



After reregistration Azat starts preparing for the next parliamentary election. The party's new-old priorities: making the terms of contracts with foreign investors developing Kazakh energy resources public; exporting gas at market prices; restricting the use of foreign labour; bringing laws on elections, media and public assembly in line with certain OSCE commitments; introducing elections for all local mayors and governors; and lobbying to join the Council of Europe.

All-Nation Social Democratic Party (ASDP). Following his unsuccessful presidential bid in 2005, Mr. Zharmakhan Tuyakbai established the NSDP in January, 2007. In June 2007, it united with Nagyz Ak Zhol and for the elections the two parties ran a joint list consisting of 80 candidates. NSDP positions itself as radical opposition. The party platform emphasizes the establishment of democracy, rule of law, and a socially-oriented state, an innovative economy and a new 'humanist' system of politics, as well as the principles of the social-democratic movement. The Party membership is 140 000.

In October 2009, ASDP and Azat declared their previously announced merger complete during a joint congress held in Almaty on October 24th. The leaders of the new formation, branded Azat ASDP, stated that the party hopes to pass the 7% threshold at the parliamentary elections due in 2012 and form an opposition faction to the governing Nur Otan Party.

Rukhanyat ('Rebirth') is a small party that was registered in October 2003. Led by Altynshash Zhaganova, it tends to support the government's policy. Rukhanyat registered a proportional list consisting of nine candidates. The party wants to expand the economy, address social issues and develop the spirituality of society.

## **LEGAL, JUDICIAL REFORM, JURY TRIAL AND ALTERNATIVE DISPUTE RESOLUTION IN KAZAKHSTAN**

**Legal Framework.** The legal system of Kazakhstan owes its origin to the Continental (Roman-German) legal family. The Constitution, respective normative legal acts, international treaties, as well as the normative resolutions of the Constitutional Council, and Supreme Court of Kazakhstan constitute the actual law in Kazakhstan. The international treaties ratified by Kazakhstan generally have priority over its laws and, such treaties can either apply directly/automatically, or, after the adoption of a law where the treaty itself provides that, for its application, a law must be adopted.

Each of the regulatory legal acts of a subordinated level must not contradict regulatory legal acts of the higher levels. All regulatory legal acts shall have direct/automatic effect, unless it is otherwise stipulated in the regulatory legal acts themselves, or in acts regulating their entering into force.

**Judicial functions.** Judicial functions are exercised only by courts of law. Judicial functions are exercised by application of civil, criminal and other forms of judicial proceedings as established by law. The courts of the Republic are as follows: the Supreme Court, and local courts of law of the Republic.

**Recent legal and judicial reforms.** Kazakhstan has successfully reformed its legal and judicial sectors and constantly continues the modernization process by introducing the best world practices. Such reforms as the move of penitentiary system from the Ministry of Interior to the Ministry of Justice, introduction of a moratorium on death penalty with a view of future total abolition, introduction of jury trials for the most serious crimes have all won international acclaim and praise.

In 2005, State-of-the-Nation Address “Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization” President Nursultan Nazarbayev declared following agenda for further reformation of Kazakhstan legal system.



In order to improve judicial system and the legal defence of citizens he set following tasks:

To simplify legal proceedings, ensure their objectivity, and also the stability and timely disposition of legal acts;

To strengthen the guarantees of the rights of citizens in the framework of legal proceedings and at the stage of executing judicial decisions;

To ensure the independence of judicial officials, which will become a guarantee of due process within the limits of the law;

To raise the qualification of judges, which will ensure that the judicial system of Kazakhstan be equal to the economic, investment, and trade challenges of the 21st Century;

To secure a greater role for public defenders in the framework of criminal proceedings and adjudication.

Justice Administration Reform. In 2004, Kazakh courts took up over 900 thousand lawsuits, whilst the number of complaints reduced by 3-4 times against 2001. Hundreds of litigation cases with infringed procedural terms recorded three years ago have declined to only 64 in 2005 – the reasons for delays were the need for fugitive retrieval, extradition or medico-legal expertise. Cancelled verdicts do not exceed 2% of all cases tried by courts.

Jury Trial Introduction. The main task of the judicial reform is to introduce jury trial for most grave cases. The corresponding draft law required joint efforts of Supreme Court, and other concerned structures including international organizations and NGOs. Within numerous workshops, international scientific research conferences and round tables the concept of jury introduction has been developed in Kazakhstan. Jury trial introduction is aimed at strengthening of democracy, fairness and humanity in the court system of Kazakhstan. Continental model of jury is considered to suit Kazakh legal system best - the jury trial will aim at joint decision of jurors and judges on the issues of culpability or innocence of defendants and penalty infliction. Such jury model will ensure greater community participation in justice dispensation and all public justice matters will be taken conjointly with magistrates. Thus Kazakh courts will retain their high professional quality. At the initial phase, only cases imposing either death penalty or maximum imprisonment term will be handled by jury trial.

Judicial transparency and openness. Kazakhstan plans to introduce single judgment database as well as introduction of program for automatic cases distribution to exclude partiality. All legal judgments of court are placed and available on the Supreme Court's internet site ([www.supcourt.kz](http://www.supcourt.kz)). Project implementation will ensure judicial transparency.

All courts act as public and open institutions whose decisions are to be available to anybody except for special statutory cases. Currently court presidents distribute suits among judges. Lately their bias activities roused much unfavourable criticism. The latter is fraught with corruption upsurge.



Judicial education and training. Judicial Academy was established with due regard to world experience for judges' professional education and training. A special magistracy for judges' training was also established.

Concurrently, Kazakhstan introduced tight requirements for judicial candidates. According to Law "On court system and RK judges' status" all candidates are to pass 3-6 month internship in regional court and are to be appointed on competition basis. Justice qualification collegiums assigned for judges selection is comprised of judges, Parliament deputies, representatives of public prosecutor office, justice ministry, members of the Bar and scientific community.

The Supreme Court of Kazakhstan observes the growth of people's confidence in Kazakh courts. "People began to seek protection of their legal rights and interests more through the courts as the courts make fewer mistakes today and review cases in a timely fashion. According to the Supreme Court statistics, only about one tenth of all court decisions in civil suits are later appealed. At the same time, the share of reversed decisions decreased by half since 2000 and currently stands at 1.5 percent of all court rulings.

The Supreme Court also points out the Kazakh courts now "use incarceration more rarely" which is in line with the country's drive to humanize its criminal prosecution system. The proportion of those convicted sentenced to prison terms decreased from 51 percent in 2000 to 42 percent in 2008. At the same time, the number of acquittals doubled. All of these facts point to the strengthening of our courts as institutions of real rights protection.

Alternative Dispute Resolution (Arbitration). Arbitration mechanisms exist in Kazakhstan. In December 2004 Kazakhstan has adopted Laws "On international commercial arbitrage" and "On courts of arbitration" to provide alternative dispute resolution mechanisms.

ADR System Description. Arbitration courts consider controversies arising between organizations and citizens. In order for a case to appear before an arbitration court, the case requires the written approval of all parties involved. Any civil dispute that does not affect the public interest may be settled by an arbitration court. According to the International Arbitration Court of the Juridical Center "IUS", the most common cases brought for arbitration are property disputes, labour disputes, and family disputes. There are approximately 35 arbitration courts in Kazakhstan. However, there are only 5 that handle a substantial volume of cases and they are all located in Almaty and Astana.

In Kazakhstan, there are two kinds of arbitral courts - continuingly operating arbitrage and ad hoc arbitrage to consider individual disputes. Kazakhstan arbitration courts can proceed both on the standards of local procedural law, the standards of international procedural law (for example, the UNCITRAL Arbitration Rules), and the substantive law of any foreign state. The decisions of arbitration courts have equally binding force as the decisions of state courts.

Kazakhstan International Arbitrage. Kazakhstan International Arbitrage is the first arbitration court in the Republic of Kazakhstan which was established after adoption of the Law of the Republic of Kazakhstan “On Arbitral Tribunals” and Law of the Republic of Kazakhstan “On International Commercial Arbitration” on 28 December 2004.

Kazakhstan International Arbitrage (hereinafter – KIA) is permanent arbitration institution, which considers disputes under legislation of the Republic of Kazakhstan, and also under norms of legislation chosen by the parties of dispute.

Since realization of right to apply to arbitration court for dispute resolution depends solely on the will of the parties, KIA Rules of Arbitration, first of all, take into account interests of the parties in order to provide rapid and effective dispute resolution in accordance with common international standards.

Quality of arbitration proceedings depends not only on thoroughly elaborated procedural mechanisms, but also on qualification of Arbitrators. Therefore, KIA list of Arbitrators include leading Kazakhstan and international specialists in the sphere of law, which have high prestige among scientific groups and practicing lawyers. Professional qualities of the arbitrators and procedure will comply with highest requirements of the parties.

In recent years, such mechanism of alternative dispute resolution as mediation became prevalent worldwide. In mediation, the neutral mediator assists the parties in reaching a settlement but does not have the authority to make a binding decision or award. Mediation is administered by the KIA in accordance with its Rules of Mediation.

According to the Rules of Administering Arbitrations under UNCITRAL Arbitration Rules KIA has the right to assist parties, which have chosen ad hoc arbitration as instrument of dispute resolution, as competent body or by providing administrative services of secretarial and/or technical character.

Academician of National Academy of Sciences of Kazakhstan, Doctor of Laws, Professor Maidan Suleimenov is the Chairman of Kazakhstan International Arbitrage.

State’s Regulation of ADR Agents. The International Arbitration Court of the Juridical Centre “IUS” is recognized for its implementation of ADR mechanisms, and its supervision of the enforcement of arbitration decisions.



The National Opera House in Almaty



Almaty's urban landscape







Aktau, Kazakhstan's maritime gateway to the world



Rainbow Bridge in Semey, East Kazakhstan





## MEDIA IN KAZAKHSTAN

Having emerged on the world map from the shackles of the Soviet Union in 1991, Kazakhstan started actively developing its media market. It is a remarkable achievement for a country that used to have only few media outlets, purely official, to provide access today to more than 2,000 local media resources, about 85 percent of which are non-governmental.

There are major newspapers as well as TV and radio channels providing news and entertainment in 11 languages, including German, Ukrainian, Turkish, Ukrainian etc., to reflect the great ethnic diversity in Kazakhstan. Media outlets broadcasting in ethnic languages are subject to grants and other types of financial support from the national budget. In 2002, the first Kazakh satellite channel – Caspionet – was launched.

### MAJOR KAZAKH MEDIA

#### Newspapers

Egemen Kazakhstan – [www.egemen.kz](http://www.egemen.kz)  
Kazakhstanskaya Pravda – [www.kazpravda.kz](http://www.kazpravda.kz)  
Liter – [www.liter.kz](http://www.liter.kz)  
Aikyn – [www.aikyn.kz](http://www.aikyn.kz)  
Vremya – [www.time.kz](http://www.time.kz)  
Ekspress-K – [www.express-k.kz](http://www.express-k.kz)  
Zhas Alash – [www.zhasalash.kz](http://www.zhasalash.kz)  
Karavan – [www.caravan.kz](http://www.caravan.kz)  
Zonakz – [www.zonakz.net](http://www.zonakz.net)

#### Television

Khabar TV – [www.khabar.kz](http://www.khabar.kz)  
Kazakh Commercial TV (KTK) – [www.ktk.kz](http://www.ktk.kz)  
Caspionet – [www.caspionet.kz](http://www.caspionet.kz)  
Channel 31 – [www.31.kz](http://www.31.kz)

#### Radio

Radio NS – [www.ns.kz](http://www.ns.kz)  
Europa Plus – [www.europaplus.kz](http://www.europaplus.kz)

#### News Agencies

Kazinform – [www.inform.kz](http://www.inform.kz)  
Interfax Kazakhstan – [www.interfax.kz](http://www.interfax.kz)  
Kazakhstan Today – [www.kt.kz](http://www.kt.kz)  
The Kazakh Telegraph Agency – [www.kaztag.kz](http://www.kaztag.kz)

It broadcasts successfully both in the country and abroad.

International media corporations such as CNN, BBC, Radio Free Europe, Deutsche Welle, Polonia and others actively broadcast their programs in Kazakhstan through local cable television companies. Over 80 foreign mass media from more than 20 countries, including the largest news agencies such as the Associated Press, Interfax, France Press, Xinhua, Reuters, ITAR-TASS, Bridge news, etc. are accredited in Kazakhstan.

A liberal and democratic government information policy is the basis for these processes. The main mechanisms of the policy are:

- legal guarantees and practical insurance of the principles of freedom of speech, free receiving and spreading of information, censorship prohibition;
- continuing improvement of legal framework of mass media activity;
- annual placing of budget financed government order for implementation of the government information policy. A right to get this order is assigned through a contest among mass media bodies irrespective of their ownership. This measure allowed to create equal conditions for receiving government financial support by both government and non-government press consequently encouraging their creative activity and business initiative;

transparent process of receiving frequencies for TV and radio broadcasting. The Commission on providing rights for radio frequency use comprises representatives

of the Parliament, international and Kazakhstan public associations. Activity of the Commission is widely covered by the mass media;

creation of economic conditions for mass media growth. All the publications and TV stations are exempted from VAT. Charges for use of radio frequency decrease almost every year;

continuing and constructive cooperation with public associations, international organizations, media research institutes in the area of mass media development. Journalists rights associations such as the Journalists Congress of Kazakhstan, Journalists Union of Kazakhstan, Teleradiobroadcasters Association of Kazakhstan, offices of international organizations (the OSCE, Human Rights Watch, Internews network, Adil Soz, etc.) fruitfully work in Kazakhstan;

close attention to journalists development. To this end every year the government provides grants and loans for education in this field, a TV Journalism School was established.

An important event for mass media development in Kazakhstan was the establishment of the Public Council on Mass Media (information policy). This entity unites MPs, the Chairman of the Board of the Journalists Union of Kazakhstan, President of the Tele-Radiobroadcasters Association of Kazakhstan, Editors-in-Chief and journalists of leading mass media bodies.

## EURASIAN MEDIA FORUM

The Eurasian Media Forum is the most prominent international media initiative in Eurasia aimed at defining the strategic role of Eurasia in world affairs, exploring a new approach to international relations, promoting equality of access to reliable public information throughout the area and encouraging the highest standards of journalism.

The Eurasian Media Forum facilitates the professional development of the Eurasian media and promotes international public understanding of Eurasian issues. It achieves this in a number of ways, for example by analyzing the current state of the regional media and its development; by discussing the current issues affecting the development of the Eurasian media market; by providing a platform for discussion on the role and place of the Eurasian continent in the global development and peace building processes; and by creating opportunities for building new partnerships and developing innovative cooperation models.

To this end, the Forum has launched the series of annual conferences for invited delegates, all with a special interest in the strategic role of Eurasia in world affairs: the issues, the options and the potential.

The first eight conferences held annually since 2002 have each attracted more than 500 media, political and business experts from 60 countries. Attendees to the Almaty meetings have debated many current subjects including the changing patterns of international relations, post 9/11 diplomacy, conflicts in

Iraq and Afghanistan, and media issues surrounding coverage of terrorism, extremism, religious and interethnic tolerance.

The VIII Eurasian Media Forum was held on April 23 - 24, 2009 and brought together 373 delegates – politicians, business leaders, academics and journalists from around the world, including U.S. ex-congressman Mr. Herold Ford, representatives of the NATO, the OSCE, the United Nations, and chairmen of world media community. Among the key speakers of the Forum are Professor of Harvard University Niall Ferguson, well-known Russian economist, Michael Hazin, ex-deputy assistant to US Treasury Secretary David Merkel, Professor of Diplomatic Academy of Russia Igor Panarin, and British MP George Galloway. The world financial crisis was the central theme of the forum. The delegates also discussed vital topics of nowadays, election of the new US President and the expectations connected with this event, problems of objectivity of modern journalism, and peculiarities of development of blog sphere.

The Eurasian Media Forum was initiated by the Kazakhstan National Khabar News Agency and was officially registered as a non-political, non-profit, non-governmental organization - Eurasian Media Forum Foundation - in Almaty in September 2001. In 2002, the Foundation opened its Representative Office in Moscow for better interaction with the Russian and CIS media communities and established a London-based working group. The Foundation is in charge of organizing the annual Eurasian Media Forum conferences and implementing all corresponding activities during the intervening period.

The EAMF concept is promoted and aided by the vital support of its partners which include, to mention but a few:





- Khabar Agency
- CNN
- NATO
- Associated Press Television News
- The Eurasia House
- The Eurasia Centre at The Judge Institute of Management Studies
- University of Cambridge
- International Herald Tribune
- The International Press Institute
- The Centre for World Dialogue
- RIA “Novosti” Agency (Russia), ITAR-TASS
- The International Academy of Television Arts and Sciences (IATAS)
- The American Chamber of Commerce in Kazakhstan
- International Journalist Unions Confederation
- The International Institute for Modern Politics
- Journalist Unions of Russia and Kazakhstan
- Kazakhstan TV and Radio Broadcasters’ Association
- East-West Institute (USA)
- Kazakhstan Congress of Journalists and many others
- The German-Kazakh Society
- The British-Kazakh Society

• The Eurasian Media Forum has pioneered in establishing a wide scale network of interaction among world’s journalists, governments and experts to further the understanding of the region, its transformations and various issues of its development as a growing economic and political powerhouse of the 21st century.

## KAZAKHSTAN AS A MODEL OF INTERETHNIC AND INTERRELIGIOUS DIALOGUE



Abai Kunanbay, a prominent Kazakh poet and enlightener of the 19th century said: “Members of diverse societies and communities who live side by side with each other and work together pick up the best qualities from each other and achieve high grounds of morality and goodness.”

The cornerstone of interreligious and interethnic consent in the Republic of Kazakhstan is mutual trust and respect. Accord among various religious and ethnic groups rests upon several major principles.

The population of Kazakhstan is diverse ethnically. Representatives of 130 nationalities live here. The local ethnos – Kazakhs make the largest part of the population – 58.9%, with Russians at 25.9%, Ukrainians at 2.9%, Uzbeks at 2.8%, Uighurs, Tatars and Germans at 1.5% each, and other groups at 4.3 percent.

Many nationalities have come to Kazakhstan not on their own will, but were driven here by political repression and persecution. In Stalin’s times Kazakhstan hosted 1.5 million of political prisoners from Russia and other regions of the USSR. And more than 1.3 million of people were deported by Stalin regime during World War II years “as unreliaables”. All these people found understanding and support of Kazakh people, found their second Motherland on the land of Kazakhstan.

The principle of equality of all ethnic groups that inhabit our country is strictly adhered by. All conditions for a full national self-expression have been created as well as the rights for the fulfilment of their ethno cultural interests are ensured.

Kazakh efforts to ensure inter-ethnic peace and accord are essential for internal stability and are widely recognized in the world. The Pope as well as UN General Secretary Koffi Annan who paid visits to our country over the last five years cited Kazakhstan as the example of inter-ethnic consent and sustainable development of a multi-ethnic society.

The interethnic policy is based on the principle of unity in variety. The civil peace and consent in Kazakhstan are the result of a persistent policy of the Government which enjoys the support of the whole society.

Preservation and development of cultures and traditions of all ethnic groups living in the Republic of Kazakhstan: there are 324 ethnic languages media outlets; the Government lends its financial support to newspapers, magazines, TV and radio shows in various ethnic languages; there are Uighur, German and Korean theaters, the only ones in the former Soviet space. In the last 9 years their financing increased more than 5 fold.

There are 2,067 mixed languages schools and 104 schools teaching entirely in ethnic languages and about 200 ethnic languages Sunday schools where representatives of more than 30 different ethnic groups can study their language.



There are more than 4000 religious groups in Kazakhstan representing 46 confessions. Since the first days of Kazakh independence the number of orthodox churches has increased 4 times, catholic churches - 2 times. There are more than 1000 missions and other places of worship and protestant unions. There are 27

synagogues in Kazakhstan. For the first time in many centuries a Buddhist temple has been built in the country. 38 media outlets are run by religious organizations.

Civil society and government of Kazakhstan have consistently been taking measures to prevent any form of ethnic or religious radicalism. "Any actions aimed at violating interethnic consent should be treated as anticonstitutional" – Kazakh Constitution reads. "Kazakhstan intends to strengthen further its role of an active participant of the international coalition against international terrorism and religious extremism", President Nazarbayev declared in his latest Address to the people of Kazakhstan.

In 1995, Kazakhstan established the Assembly of People of Kazakhstan. The Assembly is an umbrella structure that unites under its aegis 23 national and more than 470 regional ethnic-cultural organizations in almost every region of



Kazakhstan. In 12 years of its existence, the Assembly has undergone significant evolutionary changes having transformed from advisory-consultative body into constitutional one. Under the constitutional reform of 2007, the status and authority of the Assembly have been considerably strengthened. Today, 9 Assembly members have permanent seats in the lower chamber of Parliament. The Assembly has become one of the main institutes of Kazakh democracy with interethnic consent remaining one of the pillars of democratic constitutionalism, rule of law, respect for human rights and freedom in the country.

Kazakhstan constantly improves its model of interethnic and interreligious consent. In 2007, the special Program on Guaranteeing Religious Freedom and Improving State-Religion Relations in Kazakhstan on 2007-2009 was adopted. Within the framework of this program, a number of international scientific-practical conferences on religious legislation, interreligious consent, fight against religious extremism and other vital issues have been held.

### **Historic background**

In times of the dusk of the pagan world and the dawn of contemporary world religions, monotheism was being actively spread in the territory of Kazakhstan. Islam, Buddhism, Christianity, Judaism, Zoroastrianism passed through the country to become an integral part of Eurasia's history and culture. For millennia, Kazakhs have been demonstrating their adaptability to constantly changing external conditions. The Great Silk Road, which used to go through the territory of Kazakhstan, was a bridge between the East and the West.

Some 500,000 people from Northern Caucasus, 800,000 Germans from the Volga region, 150,000 Koreans from the Far East, Crimean Tatars, Greeks, Poles, Baltic people were forcefully moved to Kazakhstan during the Stalin years. Kazakhs welcomed the newcomers, but because of this influx, as well as the arrival of more than one million people from Russia, Belarus and Ukraine in the 1950s to develop the Virgin Land, they turned out to be a minority in their own country when Kazakhstan became independent in 1991. The inter-ethnic harmony in Kazakhstan is well known internationally now as a model of inter-ethnic relations.

On May 1, Kazakhstan celebrates the Day of People's Unity. Every year on May 1, representatives of various ethnic groups living in Kazakhstan dress in their national clothes, display their art, culture, food and traditions to large crowds gathering in the main squares of all cities and villages of Kazakhstan.

## KAZAKHSTAN – ECONOMIC OVERVIEW

### Central Asia's Snow Leopard

*Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. Within the next decade Kazakhstan would become one of the world's largest oil producers and exporters. But Kazakh strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, well integrated into the global economy. Energy sector is viewed as a good basis to achieve this goal.*

### GENERAL BACKGROUND

The future of Kazakhstan's economy is closely connected with further integration into international economic relations, efficient disposal of unique reserves of energy and mineral resources, export of industrial and agricultural products, optimum employment of country's transit potential and with availability of highly qualified manpower in different spheres.

During the Soviet period Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. The main economic content of 18 years of independence has become transition from the central command planning to a market system. During these years, Kazakhstan has made considerable progress in implementing complex political, economic, and social reforms to establish a democratic state with a market economy.

While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social, and environmental challenges.

The first few years of Kazakh independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union): by 1995 real GDP dropped to 61,4% of its 1990 level. This economic deterioration exceeded the losses experienced during the Great Depression of the 1930s.

The wide-ranging inflation observed in the early 1990s peaked at annual rate of up to 3000% in mid-nineties.

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of state enterprises and deregulation and today is generally considered to be more advanced in this respect than most other countries of the CIS.

Kazakhstan remains one of the most successful reformers in the CIS, and it has the strongest banking system in Central Asia and the CIS.

Because of its strong macroeconomic performance and financial health, Kazakhstan became the first former Soviet republic to repay all of its debt to the International Monetary Fund (IMF) in 2000, seven years ahead of schedule.

The main goals of current structural policy are diversification and the strengthening of the non-oil sector. A number of development agencies and research centers (Development Institutions) have been established and the Government is looking at establishing techno and science parks to support the diversification of higher-value added industries. But there are certain obstacles inherited from the past to quickly achieve this.

The EU and the USA have recognized Kazakhstan (first in CIS) as a country with market economy in 2001 and 2002 respectively. The change in status recognized substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment, and government control over the means of production and allocation of resources. In September 2002, Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating from major international credit rating agencies. In January 2005, the Organization for Economic Cooperation and Development (OECD) has upgraded Kazakh country export risks rating, moving it from the 5th to the 4th group of risks.

Kazakhstan possessing sizable amounts of oil and gas, coal, uranium is an important energy player in the world. However, having these abundant resources, the Government and the country's energy sector keep an attentive eye on global energy trends. Optimal energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables are all on the country's energy policy agenda. In 2006, Kazakhstan has produced its first wheat-based bioethanol and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. EU and its Energy Commissioner have identified their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. Kazakhstan has made it clear that this fully meets its own vision for the development of multiple energy transportation routes from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

The main economic priority for Kazakhstan is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component. This is the central goal of the National Strategy until 2030 adopted in 1998 and the State Industrialization and Innovation Programme until 2015 launched in 2003.

In 2006, Kazakhstan has additionally announced a major drive for the Strategy to enter the 50 most competitive nations in the world in ten years time.

In 2007, a State Program of "30 Corporate Leaders of Kazakhstan" aimed at diversification of the economy has been launched. The goal of the Program is to modernize the economy and support Kazakh companies willing to enter international markets through offering competitive products.





Lights of Port Aktau  
Kazakhstan's main port on the Caspian Sea

Diversification of the economy, introduction of international technical, financial, business standards, accession to the WTO, promotion of corporate governance, greater transparency and accountability, education and a concerted administrative reform have been identified as the key drivers to implement the above strategies.

Global financial crisis which started at the end of 2007 has evolved worldwide into a broader economic crisis, triggered by a freeze in credit markets, large wealth erosion, and a loss of confidence. Against this background, IMF analysts projected 2009 to be a very difficult year for Kazakhstan's economy. Lower oil and commodity prices, adverse conditions in international financial markets are negatively affecting confidence, credit availability, and foreign exchange inflows.

In these circumstances the government of Kazakhstan has pro-actively introduced a set of policies under its Anti-Crisis Program and the so called Road Map program to help mitigate economic vulnerabilities and establish a basis for the resumption of strong growth.

In these endeavors, it has benefited from the prudent policy stance it followed in earlier years which meant that Kazakhstan entered the current difficult period with a large fiscal surplus, low public debt, and a substantial stock of foreign currency assets.

As a result, Kazakhstan's economy was projected to avoid recession in 2009 and churn out a growth of 0.1 percent, not a bad result compared to the global economic outlook.

## KEY ECONOMIC INDICATORS

Key indicators	2008	2009	2010
Real GDP growth (%)	3.2	0.1	3.0
Consumer price inflation (av; %)	10.8	17.1	9.1
Budget balance (% of GDP)	-2.1	-3.6	-2.9
Current-account balance (% of GDP)	5.0	-1.3	-1.0
Exchange rate Tenge:US\$ (av)	121.0	147.0	150.0
Exchange rate Tenge:€(av)	177.3	196.6	208.2

### Economic Structure

Origins of gross domestic product 2008	% of factor cost GDP	Components of gross domestic product 2008	% of GDP
Agriculture	5.8	Private consumption	44.7
Industry	40.2	Government consumption	12.1
Services	54.0	Gross fixed investment	28.5
		Exports of goods & services	50.6
		Imports of goods & services	39.1

*Source: The Economist Intelligence Unit*

<b>Total exports 2008</b>	<b>\$ 71.2 bln.</b>	<b>Total imports 2008</b>	<b>\$37.9 bln.</b>
Exports growth (in 2008)	49.1%	Imports growth (in 2008)	15.7%
<b>Principal exports 2008</b>	<b>%</b>	<b>Principal imports 2008</b>	<b>%</b>
Mineral products including oil and gas	73	Machinery, equipment, transport vehicles	40.8
Metals and metal products	15.2	Mineral products	15.8
Animal and plant products	4.2	Metals and metal products	16.8
Chemicals and chemical products	3.5	Chemicals and chemical products	10.5
Machinery, equipment, transport vehicles	1.8	Animal and plant products	7.9
<b>Main destinations of exports 2008</b>	<b>% of total</b>	<b>Main origins of imports 2008</b>	<b>% of total</b>
Italy	16.7	Russia	36.3
Switzerland	15.8	China	12.0
China	10.8	Germany	6.8
Russia	8.7	US	5.1
France	7.6	Ukraine	5.6

*Source: Ministry of Industry and Trade of Kazakhstan*

Social and political stability, along with tremendous natural resources, make Kazakhstan one of the most attractive destinations for capital investments.

The new Tax Code was adopted on January 1, 2009. The new Tax Code introduced a number of changes to the regulation of corporate income tax (CIT) compared to the previous legislation. CIT is payable by resident legal entities (except government institutions) and non-resident legal entities doing business in Kazakhstan through a permanent establishment (branch, representative office or other) or otherwise earning income from sources in Kazakhstan. Tax base for CIT is income.

Besides of this, taxation of subsoil use has also undergone changes. Under the new Tax Code, subsoil users pay Mineral Extraction Tax (MET), Excess Profit Tax (EPT), signature bonus, commercial discovery bonus and historic costs.

MET is payable in cash by the subsoil user quarterly for each type of minerals extracted. The Kazakhstan Government may decide to change cash payment to payment in-kind. For that purpose, a separate agreement between the Government and the relevant subsoil user has to be entered into. MET rates vary from 03% to 24% depending on the type of extracted minerals.

The new Tax Code contains the following main innovations relating to subsoil users taxation:

The royalty has been replaced with MET;

The Production Sharing Agreement (PSA) as a type of subsoil use contract has been abolished. PSAs made before January 1, 2009 shall continue in force;

EPT will now be assessed using the sliding scale at the rate, established in the Tax Code based on the ratio of the aggregate annual income to the income deductions. The size of the non-taxable net profit has been increased from 20% to 25%;

Effective January 1, 2009 tax stability provisions in all subsoil use contracts (except for the existing subsoil use contracts and PSAs) have been terminated. Tax stability meant that the tax regime set forth in a subsoil use contract entered into in the established procedure after the mandatory fiscal expertise was valid throughout the contract's duration. Payment of historic costs is new in the Tax Code and is a fixed amount payable by the subsoil user to the budget as a compensation of the aggregate expenses incurred by the state for exploration and development of a contract area before entering into a subsoil use contract. The amount of such expenses is determined by the authorized government agency.

Within the tax reform, social tax now has fixed rate of 11% instead of previously used regressive rate from 13% to 5%.



The flat rate of the individual income tax is kept at the level of 10%.

The corporate income tax reduced to 20% or by 1/3 compared to 2008, and the rate will be 15% in 2011.

The VAT rate was lowered from 13 to 12%. Tax benefits are available to enterprises that are making investments.

The new Tax Code has partially reformed regime of taxation of agricultural producers.

The Code also envisages alteration of the order of property taxation.

The table below shows rates of main Kazakhstani taxes, as established by the new Tax Code.

Tax	Rates
Corporate income tax	2009 - 20% 2010 - 17.5% from 2011 - 15%
VAT	12%
Individual income tax	10%
Social tax	11%
Property tax (individuals)	The amount of tax depends on the cost of property. The minimal rate is 0.05% of the cost
Property tax (legal entities)	0,1 - 1,5% of the average annual value of the property
Land tax (to be paid by individuals and legal entities)	The amount of tax varies depending on the area of a land plot, its quality and purpose
Excise tax (applies to all types of spirit, alcohol, beer, tobacco products, petrol (except for aviation fuel), diesel fuel, motor vehicles, crude oil and gas condensate)	Rates are established in percentage to the cost of goods or in a fixed sum per unit of measurement
Vehicle tax (cars)	From 2 to 117 MCR <sup>1</sup> depending on engine capacity and type of a vehicle

1) MCR (monthly calculation ratio) established by the National Budget for 2009 amounts of 1,273 tenge.

Generally, the new Tax Code aims to achieve the following main targets:

- i) reduction of general tax burden on economy sectors not relating to natural resources;
- ii) increase of economic returns from natural resources extraction;
- iii) optimization of tax privileges;
- v) improvement of tax administration system.

The new Fiscal Code was adopted in 2008. The three-year budget has been introduced; the main priority is harmonization of economic and budget planning and improvement of budget relations.

On the basis of the new Fiscal and Tax Codes the three-year state budget for 2009-2011 has been approved.

**Increase of social benefits and wages:**

- raise of salaries of those employed in the public sector, pensions and student stipends by 25% in 2009, by 25% in 2010 and by 30% in 2011;
- raise of minimum wage and basic pensions to 50% from the amount of minimum living cost;
- raise of social and special allowances, monthly allowance for child care and one-time payment for the newborn;
- support for college students who were left without the means to pay for tuition. The government will additionally provide 11 thousand grants and 40 thousand loans for the students.

**Maintaining modernization and sustainable economic growth:**

- further development of professional education, building kindergartens,
- development of healthcare system;
- infrastructural development, including transportation, engineering and energy;
- strengthening food safety, systemic support of agriculture.

## KAZAKHSTAN ANNOUNCES JOINT ACTION GOVERNMENT PLAN TO REVIVE ECONOMIC DEVELOPMENT



Prime Minister Karim Massimov of Kazakhstan announced the joint plan to revive the country's dynamic economic development and respond to the consequences of the global financial crisis.

“For more than a year Kazakhstan's economy has been successfully responding to external challenges. Last fall we responded to the first wave of the global financial crisis by drafting an elaborate plan aimed at providing stability in our economic development.

\$4.6 billion have been allocated then as per plan to sustain agricultural and SME development, food security and completion of real estate projects, and we have achieved tangible results on each of these goals”, Prime Minister Massimov said while presenting the new joint action plan to the Nur Otan party caucus in November 2008.

The Government has taken a number of steps to diminish negative effects of the current global crunch on domestic economic system, including a sophisticated tax reform and recalculating the three-year national budget on the basis of oil price being as low as \$40 per barrel.

The new joint action plan provides for allocation of an additional extra-budget amount of \$10 billion as follows:

- Providing stability in the financial sector (\$4 billion);
- Stabilizing real estate market (\$3 billion);
- Supporting SMEs (\$1 billion);
- Agricultural development (\$1 billion);
- Implementing break-through industrial and infrastructure projects (\$1 billion).

The above amount will be drawn from the National Oil Fund which has amassed more than \$27 billion since it was established in 2000.

The above measures are taken in addition to regular budget allocations in all sectors of the economy, including finance, industry, transport, construction, agriculture, SME support etc. Special care is taken in the budget to ensure the sustainability and growth of social protection – allocations for healthcare, education, pensions, public sector salaries etc. are not subject to cuts and will increase as planned.



## Following are the details of the new plan

The plan of joint actions of Government, National bank and FSA of Kazakhstan on stabilization of the economy and financial system for 2009-2010

### 1. Measures taken in 2007- 2008 in support of economic growth

To soften the negative effects of turmoil in the international and domestic economy and financial system markets since the autumn of 2007, the government allocated State Budget funds of around 550 bln tenge (\$4.6 bln) in support of:

- Individual investors in housing sector;
  - SMEs activity;
  - Development of agricultural sector and maintenance of food safety.
- In addition, further measures have been approved over the past few months to alleviate the impact of the global slowdown and in support of economic growth:
- Amendments to the Law of Republic of Kazakhstan “On public purchases” in Q3 2008. For stimulation of internal demand and supporting of national enterprises, public purchases will be oriented predominantly to Kazakh suppliers. To take operative decisions, to help to national business by giving guarantees, long-term purchase orders state holdings and national companies have been excluded from the action of law, which regulates public purchases.
  - From January 1, 2009, a new Tax Code will become effective. The new Code, which includes tax measures primarily targeted to reduce the tax burden on the non-oil economy, is expected to provide an additional 500 bln tenge of working capital to Kazakh companies in 2009.
- Tax measures implemented as of January 2009 include:
- Corporate income tax reduced from 30% to 20% in 2009, to 17,5% in 2010 and to 15% in 2011.
  - VAT rate reduced from 13 to 12% in 2009. The minimal turnover volume taxable with VAT increases by two times to 38 mln tenge.
  - The current regressive rate on social security tax replaced by a flat rate of 11%.
  - The new Code provides tax incentives for investments to all companies. In particular, an accelerated amortization for non-extractive sectors and double norm of amortization for the mining industry.
  - SME’s requirement to advance payments on corporate income tax is cancelled.
  - Carrying forward of losses is extended to 10 years (used to be maximum of 3 years) for all companies.
  - Measures to boost confidence in the banking system and to provide liquidity support to banks.
  - To boost the confidence in the banking system the guaranteed amount on individuals’ deposits was increased from 700 thousands to 5 mln tenge.

- From November 2008, the minimal reserve requirements on internal obligations were reduced from 5% to 2%, and for other obligations from 7% to 3%. This allowed banks to increase their resource base by about 350 bln tenge.
- The Law of Republic of Kazakhstan "On changes and additions to some legislative acts of Republic of Kazakhstan on the matters of financial system stability" was adopted. The law toughened the measures of administrative and criminal responsibility for bringing a financial organization to insolvency. Banks are also allowed to repurchase issued obligations and to purchase shares in the Distressed Assets Funds.

## **2. Key economic developments during 2008 and 2009**

- GDP growth at 3.2 percent during 2008 and 0.1 percent in 2009.
- Unemployment level remains stable at below 7%.
- The inflation level well within the annual forecast of not more than 10%.
- The tenge has remained stable during the year with no need for the NBK to draw on reserves to sustain exchange rate stability. Once the 25 percent devaluation took place in February 2009, the tenge exchange rate stabilized and positive effects were felt throughout the economy.
- Kazakh banks meet all their internal and external liabilities. Two of Kazakhstan's banks with the most foreign borrowing, BTA Bank and Alliance Bank, are negotiating their debts with foreign creditors. In December 2009, BTA Bank reached an agreement with the credit committee on the restructuring of its debts.
- Deposits in banks increased steadily.
- Despite the use of 19 billion dollars for economic recovery programs, foreign exchange reserves and National Fund assets increased from \$39 bln to \$52 bln at the end of 2009.

## **3. Fiscal adjustments**

The government has recently revised its assumptions and key fiscal figures for the period 2009- 2011 to take into account the decline in oil prices and the impact of worsened global economic growth prospects:

- Budget revenues for 2009 will be based on assumption of oil price of 40 US dollars per barrel. In 2010 and 2011, revenues will be based on assumption of oil price of 50 US dollars per barrel. Initial three year budget was based on oil price of 60 US dollars per barrel for 2009 – 2011.
- Non-priority expenses are reduced and the financing of some programs are postponed. Social expenditures including increase of pensions and public wages are kept unchanged.
- The Republican budget deficit in 2009-2010 will be projected at 3,4-3,5% of GDP and in 2011 the deficit will be reduced to 2,4% of GDP.

While maintaining fiscal prudence, the government acknowledges that in the current environment, the 3-year republican budget is a key instrument to support economic activity. One of the budget's priorities is to continue to support aggregate demand and business activities by maintaining a high level of budget expenditures in key priority areas such as the finance of priority infrastructure and industrial projects, development and modernization of the agriculture sector, and development of human capital. Overall, during 2009-2011 investments from the state budget will increase by 1.5 trillion tenge.

#### **4. The Government's Action Plan for 2009 – 2010**

The purpose of the Plan is to smooth the socio-economic impact of the global economic and financial crisis while assuring that government policies continue to build up on the foundations that will sustain financial stability and high rates of qualitative economic growth in the future.

To achieve these goals, the Government, the National Bank and FSA will focus their coordinated interventions on the following five directions:

1. Stabilizations of financial sector.
2. Addressing issues in the real estate market.
3. Support to SMEs.
4. Agro industrial sector development.
5. Realization of industrial and infrastructural projects.

To finance the Plan, assets of National Fund in the amount of \$10 bln have been used:

- 1) Financial sector stabilization – \$4 bln;
- 2) Real estate sector development – \$3 bln;
- 3) SME support – \$1 bln;
- 4) Agro industrial complex development – \$1 bln;
- 5) Realization of infrastructural and industrial projects – \$1 bln.

Samruk-Kazyna Fund is the government's arm in charge of implementing the National Plan. Out of the \$10 billion to be used from the National Fund, the Government has used \$5bln to provide additional capital to the Samruk-Kazyna Fund. Samruk-Kazyna borrowed an additional \$ 4 bln from the National Fund and KazAgro Holding borrowed \$1 bln.

#### **1. Financial sector**

The total sum of capital injections into the banking sector was at least \$4 bln, including:

- \$1 bln provided to purchase of voting shares of four systematically important banks (Halyk bank, Kazkommertsbank, Alliance bank and BTA bank);
- \$3 bln provided as a subordinated debt and through the purchase of privileged non-voting shares.



In addition, the National Bank has implemented other measures aimed to increase liquidity such as the broadening the list of instruments accepted for Repo operations and the reduction in reserve requirements. Also, assets of public companies, joint-stock companies, state organizations, other state enterprises and legal entities where the government is a shareholder which are currently under the management of the National Bank will be deposited with the banking system.

Creation of a Distressed Assets Fund. The government has created a Distressed Asset Fund and funded it from budget with an initial sum of 52 bln tenge. In 2009, the authorized capital of the Fund will reach 122 bln tenge by additional injection from the budget.

Strengthening of the financial sector regulatory environment. In the framework of prudential regulation by the FSA, banks will have to reduce their level of external liabilities and dependence on wholesale funding. Existing and new requirements in the Banking Law will lead to the diversification of the banks' funding base and increase the banks' reliance on the deposit base to finance its activities.

The government is committed to protecting the interests of pension funds depositors and will maintain the safety of the population's savings in the pension funds, a high level of transparency regarding the management of pension funds while raising depositors' awareness and financial literacy.

## **2. Real estate market**

Samruk-Kazyna Fund has launched a special program of mortgage lending and development of the housing sector to support the challenges faced by the housing sector and to re-activate the real estate market in Astana and Almaty. For the financing of this program, the SK Fund directed the sum of \$5 bln to be financed by borrowing from the National Fund and accumulative pension funds.

## **3. Support for SMEs**

Samruk-Kazyna Fund has allocated \$1 bln (120 bln tenge) in support of SMEs during 2009, of which 70% will be directed to refinancing of current projects and 30% to realization of new projects. The maximum amount to be allocated to one single project will increase from \$3 to \$5 mln. The funds are channeled to SMEs through the banking sector. Samruk-Kazyna Fund also established a micro-lending programme targeted at rural areas.

SMEs activities have also received additional support following the recent changes to the Law on public purchases whereby the government, state organizations, state holdings and national companies source goods and services primarily from Kazakh companies.

The Government continues to work on getting rid of administrative barriers and strengthening incentives in the extractive industries and service companies to increase local participation.

#### **4. Agro industrial sector development**

Special attention is given to the development of the agro industrial sector where the potential for growth, employment creation and impact on economic activity and export diversification is significant.



The “KazAgro” Holding has directed \$1 bln borrowed from the National Fund in support of the agro-industrial sector. Projects are implemented together with social-entrepreneurial corporations (SECs).

Additionally, the 2009-20011 budgets will allocate additional funding of around 350 bln tenge.

#### **5. Realization of industrial and infrastructural projects**

The Samruk-Kazyna Fund will be allocated \$1 bln (120 bln tenge) in support of industrial and infrastructure projects. In addition to funding from its own sources, Samruk-Kazyna intends to attract foreign investments of \$3 bln.

## 6. Additional measures

The Government seeks to preserve real income levels of population and is committed to keep the 2009-2011 budgeted increases in social payments, pensions and salaries to civil servants unchanged.

The Government works with large companies to draw plans to keep employment levels despite temporary output volume cuts in some instances.

The Government together with region akims (heads), akims of Astana and Almaty provides incentives to support employment creation in regions through the government's planned infrastructure and industrial development projects and other socio-economic initiatives such as the "100 schools, 100 hospitals" programme.

The government continues to work on the set up of stabilization funds for basic food items such as meat, dried milk, vegetable oil, sugar and rice, with the aim to assure enough supply in the domestic market and in doing so prevent sharp rises in basic food prices.

Expected results of the Plan to 2009 – 2010:

As a whole, direct state support to the economy under the implementation of the stabilization measures (excluding additional investments attracted by Samruk-Kazyna) will amount of 2 172 bln tenge, including:

- National Fund assets – 1, 200 bln tenge;
- National bank measures to release liquidity – 350 bln tenge;
- Reduction of tax burden in New Tax Code – 500 bln tenge;
- Distressed Asset Fund – 122 bln tenge.

As a result of measures taken in 2007-2008 and the 2009-2010 National Plan, real GDP is expected to grow at between 1-3%. Inflation is forecast to continue to come down to 7-9% by year-end 2009/10. Unemployment is expected to stay below 8%.



## KAZAKHSTAN'S GOVERNMENT CONTINUES HELPING CITIZENS AND BUSINESSES IN TIMES OF GLOBAL FINANCIAL CRISIS



Kazakhstan continues implementing its proactive economic and social policy designed for protecting the country's people and economy against negative effects of the global crisis.

The Government has already taken a number of steps to diminish effects of the current global crunch in domestic economic system, including a sophisticated joint action plan and bank bailout strategy which helped the country's major banks to survive first severe blows of the crisis waves.

Below is an outline of the Government's efforts on assisting people of Kazakhstan, businesses and enterprises in staying afloat and maintaining living standards in the challenging environment.

Providing employment is crucial

In 2008, the following was accomplished as part of the government program to counter unemployment:

- 238,200 jobs were created in the course of implementing investment projects, government and sectoral programs;
- 10,800 social workplaces were established for target population groups;
- 1,002 memorandum of understanding were signed between the Ministry of Industry and Trade, the Ministry of Labor and Social Protection, akimats, and large and medium enterprises;
- the quotas for foreign labor were reduced by one half compared to last year to protect the domestic market;
- youth internship programs were used in most of the regions to reduce youth unemployment. More than 40% of the graduates from educational establishments who participated in these programs have found jobs. There were about 1000 jobs fairs held that helped almost 27,000 people find employment.

1. Regular monitoring is conducted to identify regions and sectors facing the risk of mass layoffs

2. Regional akimats have developed employment stabilization programs that include measures to provide jobs, training and re-training opportunities, and social support for redundant workers.

3. The Government of Kazakhstan is seeking to provide employment for the most vulnerable population groups for whom the loss of employment may be particularly damaging. This refers in particular to single mothers, families with more than three children, people close to the retirement age, etc.

4. Social insurance schemes will be used to provide social support for the workers made redundant. In accordance with the existing legislation, those covered by a compulsory social insurance scheme are entitled to four months' worth of social benefits payable from the Social Insurance Fund, should they become unemployed. The size of the benefits depends on how long a person has been a member of the scheme, and on the amount of insurance premiums. (Last year, the average monthly unemployment benefit paid from the Fund stood at 21,000 tenge).

5. All in all, under the plan of action jointly adopted by the Government, the National Bank and the Financial Supervision Agency to stabilize the economy and the financial system in 2009-2010, as many as 348.3 thousand new jobs will be created in 2009 as a result of 5,785 projects being implemented under the 30 Corporate Leaders program and the anti-crisis measures to support the agricultural sector and SMEs.

Containing the rapid growth of unemployment has been defined as a key task for the Government in 2009.

## SUPPORTING SMALL AND MEDIUM ENTERPRISES

On November 6, 2007, the Government adopted its first stabilization plan whereby 550 billion tenges (\$ 4.6 billion, or 3.5% of the country's GDP) was allocated from the budget. The plan was fully implemented between November 2007 and December 2008. The plan is focused on the following: support for the construction industry, support for the development of small and medium enterprises, food security, social safety net, implementation of structural economic reforms in the administrative, tax and budget spheres of public administration.

In 2008, the following main instruments were used to support small and medium enterprises:

1. Support for small and medium enterprises was enhanced. Allocations from the budget totaled 214.8 billion tenges, including 126.8 billion tenges provided from the central government budget, 10 billion tenges from JSC Fund Damu, 28 billion tenges from the local executive authorities, and 50 billion tenges from second-tier banks.

2. Measures were taken to eliminate the administrative barriers and improve the business environment for small and medium enterprises, which had a positive impact on the overall business climate in the republic, something recognized by the World Bank in its Doing Business report where Kazakhstan was moved from the 80th position in 2008 to the 70th position in the 2009 global ranking).

3. A one-year moratorium on administrative and tax audits of small and medium enterprises has been announced.

4. To stimulate domestic demand, amendments were made to the law on state procurement to give priority to domestic suppliers (to increase the share of the local content).

In January 2009, a plan of action was jointly adopted by the Government, the National Bank and the Financial Supervision Agency to stabilize the economy and the financial system in 2009-2010. Support for small and medium enterprises is one of the key dimensions of the plan:

- funding – the Samruk-Kazyna sovereign wealth fund will allocate an additional US\$1 billion in 2009 to support small and medium enterprises irrespective of what sector they operate in. 70% of the money will be used to refinance the ongoing projects, and 30% will be made available for new projects;
- creating an efficient financing infrastructure, which will comprise the institutions of Samruk-Kazyna (the Development Bank of Kazakhstan, Damu, social enterprise corporations), KazAgro (the Agriculture Support Fund, KazAgrofinance, the Agrarian Credit Corporation), second-tier banks with government participation (KKB, NSBK, BTA, Alyans), as well as those who



- have signed the memorandum of understanding (ATF, BTsK, Kaspiy Bank, Nurbank, Eurasian Bank, Cesna Bank, Bank Astana-Finance, Sberbank);
- maintaining a low interest rate and providing re-financing opportunities for the previously issued loans (12.5%);
  - providing SMEs with broader access to state procurement;
  - financing for new industrial, infrastructural, innovative projects, including in agriculture;
  - granting direct tax concessions. January 1, 2009 was the enactment date of a new Tax Code designed to facilitate modernization and diversification of the economy, and help bring business out of the shadows. The most fundamental and important feature of the Tax Code is the gradual reduction of the corporate income tax rate to 20% in 2009, to 17.5% in 2010, and to 15% in 2011;
  - limiting and reducing administrative barriers and audits, easing licensing requirements, streamlining procedures for establishing an enterprise and doing business;
  - developing micro-credit schemes in rural areas using the regional postal network of the Kazpochta joint-stock company;
  - establishing a network of centers to promote enterprise in each regional capital.



## **KAZAKHSTAN'S ENERGY SECTOR: GLOBAL IMPACT**

### **Hydrocarbons**

Kazakhstan's proven large reserves of oil and gas (about 3% and 1% respectively of the world's total) and significant forecast reserves (13-18 billion tonnes of standard fuel) make investing in the fuel and energy sector a priority.

At the moment, hydrocarbons are being developed at 241 fields, including extraction at 74 fields (31%), extraction and prospecting at 106 (44%), prospecting at 59 (24%) and operations unrelated to extraction at two fields (1%). A total of 142 companies are operating in the sector: 20 joint ventures, 48 foreign companies and 74 local companies.

The limit of oil and gas production has not yet been reached. According to forecasts with the current production of 73 mln. tons, the country will extract up to 100 million tonnes of oil by 2010 and about 120-130 million tonnes of oil by 2015.

It should be noted that Kazakhstan occupies the eighth place in terms of proven oil reserves in the world and the second place in the CIS. The proven reserves will ensure extraction for 50 years for oil and 75 years for gas which is in line with the world average figure for oil-extracting countries. The future development of the domestic oil sector mainly depends on developing the Kazakh sector of the Caspian Sea, whose forecast reserves are quite promising.

In 2008, Kazakhstan has joined the World Petroleum Council (WPC). The membership in WPC provides the maximum access to update information on the latest worldwide research, technological discoveries and achievements in the gas and oil field as well as to the current data related to production, technology and economy.

Joining WPC will boost the status of oil industry of Kazakhstan, secure new agreements on the international cooperation and could be regarded as another move towards improving the country's image worldwide.

### **Oil and Caspian off-shore development strategy and pipelines policy**

Kazakhstan has significant petroleum reserves. Projected oil reserves are 100-110 bln. barrels by 2015, placing Kazakhstan in global top five. Some estimates say the offshore Kashagan field alone may contain up to 50 billion barrels of oil. Kazakhstan's vast natural resources are projected to provide 2-3% of the world's expected oil demand within the next decade.

By 2002, most oil and gas fields under development had reached peak levels of annual production. Further growth of ashore production output was first of all linked to intensified development of such oilfields as Tengiz and Karachaganak. At the same time, research has shown major gains in explored reserves and in hydrocarbons production are expected to take place in the Caspian aquatic area.



According to world practice, starting from the point of exploration works in offshore, it normally takes 8-10 years to get to the commercial production stage. State-run Program of Development of the Kazakh Sector of the Caspian Sea (KSCS) provides forecast for up to 2015. The Program takes into account growing importance of off-shore O&G, and integrates principles of rational subsoil use and environmental safety requirements. The Program envisages turning of the KSCS into a major hydrocarbons production zone in Kazakhstan. Recoverable reserves of the KSCS stand at eight billion tons.

**Main targets in KSCS development are:**

- gains in explored hydrocarbons resources and bringing of production to a stable high level;
- development of multimodal system of hydrocarbons transportation;
- reprofiling and modernization of domestic machine-building enterprises;
- development of the maritime fleet and sea ports;
- build-up of the local engineering capabilities; training of domestic specialists;
- enforcement of health protection and environment protection measures;
- development of petrochemistry enterprises.

The order of the KSCS resources development will be based on uniform allocation of blocks to subsoil users in northern, central and southern parts of the sea. Blocks adjacent to protected natures sites, recreation zones, defence sector facilities and large population clusters can be an exception.

The Government shall be in charge of defining blocks to be offered for tenders, and of defining the order and conditions of setting them forth for tenders.

Presently, there are about 23 undistributed blocks, exploration of some of them is planned to be financed out of the state budget. To define the most suitable subsoil users for both exploration and development, the plan is to offer for tenders at least 3 blocks per annum. At the same time, there will be blocks offered for additional exploration. Thus, the initial stage will cover 7-8 years (up to 2010), in the course of which necessary amendments could be inserted in the schedule of development up to 2015 with a view of transportation and marketing issues. On-land production has been performing by 33 companies at over 100 oilfields located in 5 oblasts. Major gains in production take place at Tengiz, Karachaganak, Uzen and some other oilfields.

Apart from development of oil and gas in the KSCS, the Program provides for development of associated production, social and environment-protection facilities. KSCS development calls for solutions to problems reflecting inter-industry nature of tasks of long-run extension of maritime O&G operations, dependence of many development parameters on the composition of hydrocarbons and on geologic and technical conditions at the oilfields.

The Kazakhstan's Government's commitment in cooperation with partners from abroad is to respect contracts signed with foreign companies but the contracts must be honoured by both sides.

According to preliminary estimates, the Program implementation will allow bringing production at maritime oilfields to 40 million tons in 2010, and 100 million tons pre annum by 2015 and maintaining this level for 25-30 years.

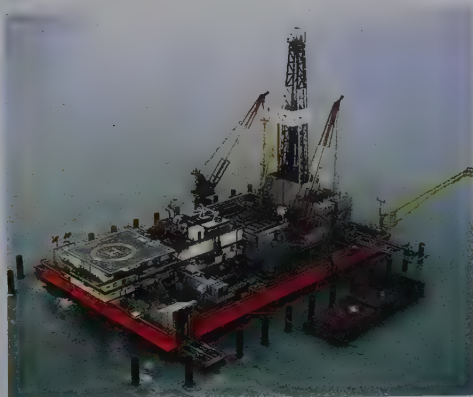
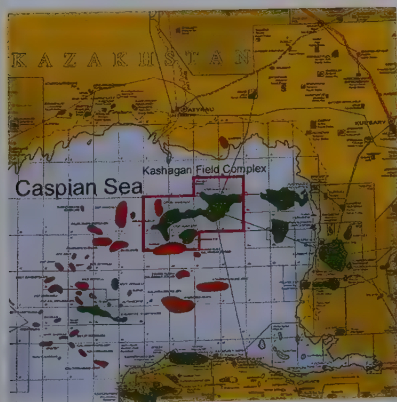
For the recent 30 years there have been certain trends formed that have the global GDP growing 3,3% per annum, with the demand for oil as the major energy source growing by 1% per annum. According to international experts, with the current trends maintained, the global explored oil resources will only suffice for the next 40-50 years. Inclusion of the KSCS resources into the global explored reserves has become a major component of global energy strategies. Kazakhstan is to be ready for flexible mix of strategies of systematic relocation of oil production to the Caspian aquatic area with speed-up of selected promising projects.

### **Kashagan**

The participants of the "Oil & Gas" conference held within the framework of the KIOGE 2008 noted that Kashagan was a momentous project not only for Kazakh energy sector, but for the entire world. While giving his assessment on the negotiations between Kazakhstan and Agip KCO, operating company for Kashagan, Ambassador Mann said then: "... I am sure a compromise will be found in the nearest future".

Compromise was reached shortly after the conference. Ministry of Energy and Mineral Resources of Kazakhstan and KMG signed the final agreement with all co-venturers in the international Consortium (Eni, ExxonMobil, Shell, Total, ConocoPhilips and INPEX) on the ways of Kashagan's further development in Astana, on October 31, 2008.

Under this agreement, KMG acquires a major participation level in the project going from 8.33% to 16.81%. Now the co-venturers' interests in the North Caspian Sea PSA (production sharing agreement, NCSPSA) are as follows: Eni - 16.81%; ExxonMobil - 16.81%; KMG - 16.81%; Shell - 16.81%; Total - 16.81%, ConocoPhilips - 8.40% and INPEX - 7.56%.



Given the size and complexity of the Kashagan project and other NCSPSA developments, the Kazakh government and Agip KCO have agreed to consolidate their efforts and resources and implement the project with the following division of responsibilities: Exxon Mobil - offshore drilling; Shell - offshore development (except drilling); Eni and Agip KCO – onshore development; ConocoPhillips – audit.

KMG will take on an increasing role in the project and will be involved in each area of its development.

According to the agreement reached in Astana, a new joint operating company for Kashagan project will be established to include all the co-venturers in the NCSPSA Consortium. This joint operating company, named North Caspian Operating Company (NCOC) BV, will take over the responsibilities which are currently with Agip KCO, the sole operator of the NCSPSA.

As finally agreed, commercial oil production at Kashagan should be started no later than December 31, 2013. But the target date for non-commercial oil production is December 1, 2012.

75,000 barrels a day are expected to be extracted at the beginning of oil production with following increase up to 370,000 barrels a day. 2-3 years later the 3rd tranche of oil production increase is expected – up to 450,000 barrels a day. By the end of the next decade Kashagan oil production is expected to reach 1.5 million barrels a day.

### **The ‘N’ Block**

The agreement on the ‘N’ Block, reached in 2008, is another important step forward in the development of mutually beneficial cooperation between Kazakhstan and foreign energy corporations. On October 6, 2008, KMG, ConocoPhillips and Mubadala Development Company, PJSC (Mubadala) announced the signing of a Memorandum of Understanding (MOU) to negotiate terms for the exploration and development of the “N” Block.

The MOU was signed by Mr. Kabyldin, the KMG President, Mr. Mulva, the ConocoPhillips CEO and Mr. Al Mubarak, Mubadala’s CEO, and was witnessed by Mr. Sauat Mynbayev, the Minister of Energy and Mineral Resources of Kazakhstan.

The parties were to negotiate until December 31, 2008 the definitive agreements for the assignment by KMG of a 49-percent interest in the subsoil use contract to be shared equally between ConocoPhillips and Mubadala.

The agreement on the principles of cooperation on the Block N shelf project was signed by KMG, ConocoPhillips and Energy & Industry Holding Co., a wholly owned subsidiary of UAE-based Mubadala Development Company, in Almaty on December 5th, 2008.

The parties agreed that the project would be managed by a joint operating company, in which KMG will own 51% and the other two companies will own the remaining 49%. During the production period, KMG will be the sole owner of the operating company.



“In accordance with this agreement, KazMunayGas will transfer 24.5% stakes in the “contract for the subsurface use to each ConocoPhillips and Mubadala,” Mr. Kabyldin said.

A final agreement was signed during 2009. “KMG looks forward to a speedy conclusion to the negotiation and a successful, long-term relationship with both ConocoPhillips and Mubadala. Cooperation with these companies would allow for the attraction of new technologies relating to the exploration and production of oil and gas on the Caspian shelf,” Mr. Kaigeldy Kabyldin said.

According to KMG the first well is to be drilled in 2010. The parties are planning to launch commercial production around the start of 2016 if all the forecasts for raw hydrocarbons there are confirmed.

The “N” Block is located 30 kilometers southwest offshore of Aktau, a Kazakh port on the Caspian Sea. The Block covers approximately 8,100 square kilometers and is considered highly prospective for both oil and gas. This field has some 630 million tons of geological resources with recoverable resources estimated at about 270 million tons. Under the agreement, the KMG’s foreign partners will pay a signing bonus of \$100 million.

## **Investments**

More than \$ 21 billion were invested into Kazakh mineral and raw material sector. Most of the energy investment in Kazakhstan has been allocated in extracting hydrocarbons.

Up to recently, investments into development of the Caspian hydrocarbons potential were channelled within the frameworks of two projects – Northern Caspian Project and KazakhOil –JNOC Project. The North Caspian Project alone is expected to attract more than \$ 136 bln. dollars. KMG is planning to invest 208 bln. tenge (\$ 1.7 bln.) in the development of Kashagan oil field this year, while the company’s total investment program for 2009 will equal KZT 696 bln. The KMG this year’s investment program includes 65 projects.

U.S. energy companies which have invested about \$ 11 billion are the biggest foreign investors in the Kazakhstan’s oil and gas industry.

Simultaneously, Kazakhstan’s oil and gas business is rapidly growing in terms of its outdoor investment capacity. Good example is the acquisition from Rompetrol Holding SA of 75% interest in the Rompetrol Group NV (TRG) by the KMG in 2007. The sale was the culmination of a 7 month private auction process conducted by Morgan Stanley’s London-based Energy Group. The sale is conditional upon approval of the European Commission and other relevant competition authorities. The two shareholders anticipate their agreement will be approved with enthusiasm as they are confident that it meets all the regulatory requirements and that the company will significantly contribute to the security of European energy supplies.

TRG will be managed jointly by its two shareholders, KMG and Rompetrol Holding. KMG will appoint a majority of TRG's Board, which will reflect the new ownership structure. This agreement will bring about significant advantages to both shareholders and their respective clients. With this acquisition, one of the largest in its history, KazMunaiGas effectively doubles its refining capability by acquiring access to two TRG's refineries in Romania and significantly increases its retail infrastructure in European markets by acquiring access to 630 gas stations in seven European countries from Georgia to France. TRG has more than four million tons of refining capacity and the capability to distribute more than 7 million tons of oil products annually through its own wholesale and retail networks. Through this agreement, TRG secures long-term access to oil supplies.

### **Export routes**

As KSCS oilfields get developed, the need for diversification of export routes keeps growing. Proximity to such dynamically developing nations as Russia and



**“Attention should be focused on diversification and securing stable routes for future energy supplies. We will stick to the principle of pursuing multi-vector policy in this regard”**

***Nursultan Nazarbayev  
President of Kazakhstan***

China opens wide opportunities for Kazakh hydrocarbons exports. To ensure entering into the markets of the two countries, it is vital to develop and enhance trunk pipelines system.<sup>1</sup> Enhancement of export routes implies multimode transportation of hydrocarbons, with efficient combination of capabilities of pipe, railway and sea transport.

<sup>1</sup> [www.government.kz](http://www.government.kz)



Industrial landscapes of Western Kazakhstan

The Caspian Pipeline Consortium (CPC) and Atyrau-Samara pipeline system are currently traditional routes for Kazakh oil export. It means that significant volumes of Kazakh oil (about 50 million tons a year) are exported through the Russian territory.

Under diversification policy Kazakhstan is actively developing the following projects



## Export routes for Kazakhstan Oil



### Active export routes:

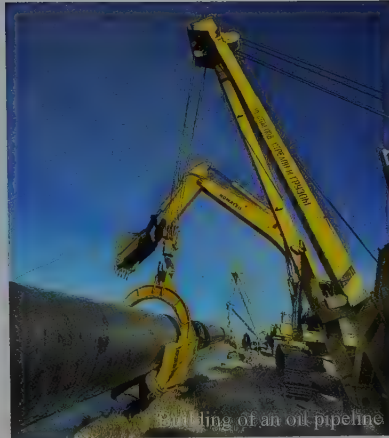
- 1 – Atyrau - Samara
- 1a – Baltic pipeline system
- 1b – Druzhba
- 1c – via Odessa
- 1d – via Novorossiysk
- 2 – Caspian pipeline consortium
- 3 – Atasu - Alashankou
- 4 – port Aktau
  - Baku
  - Mahachkala
  - Neka
- 5 – Baku-Tbilisi-Djeihan

### Planning export routes:

- 6 – Kazakhstani Caspian system of transportation (Eskene-Kuryk-Baku-Tbilisi-Ceyhan)
- 7 – Kazakhstan-Turkmenistan-Iran
- 8 – Routes of break by turkish strait:
  - 8.1 – Burgas-Alexandroupolis
  - 8.2 – Samsun-Ceyhan
  - 8.3 – Odessa-Brody

- Transcaspian oil exports through Baku-Tbilisi-Ceyhan pipeline system. Kazakhstan's approach to this project has been confirmed by the Agreement between "KazMunaiGaz" and Azerbaijan's State Oil Company on Basic Principles of Transcaspian project implementation signed on November 2008. This project is aimed at oil transportation from Kashagan and Tengiz oil fields.
- Phase II of the Kazakhstan – China trunk oil pipeline construction: "Kenkiyak – Kumkol pipeline to connect western and eastern parts of Kazakhstan (Kazakhstan-China). Termination of the project is scheduled for 2009. The whole project Kazakhstan – China will be finished in 2012.
- Expansion of CPC system aimed at increasing its throughput capacity from its current 32.9 mln. tonnes to 67 mln. tonnes. Memorandum of Understanding on CPC Expansion Principles has been signed by the Shareholders, the Ministry of Energy of the Russian Federation and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan on December 17, 2008. BP remains the only company which has not yet approved the MOU. At the same time, it continues to support the Project, awaiting finalization of legal documents in 2009 based on the outcome of commercial negotiations with LUKOIL, its partner in Lukarco JV which is a CPC Shareholder. Nevertheless, implementation of the MOU will continue through 2009 with BP's consent.

- The Burgas-Alexandroupolis pipeline is a trans-Balkan project conceived to reduce the cost of hydrocarbon deliveries to European and possibly US and Asian markets. The project is the logical continuation of the CPC expansion and an economic way to bypass the risky Bosphorus strait and the Dardanelles. The viability of the pipeline depends on Kazakh oil production which is expected to reach 120-130 million tons by 2015. The Burgas-Alexandroupolis pipeline project is closely related to the expansion of the CPC. As Russian oil alone is not sufficient for the trans-Balkan pipeline, contribution of the Kazakh side is vital to ensure economic efficiency. In summer 2007, Kazakh Energy Minister Baktygozha Izumukhambetov met his counterparts in Greece and Bulgaria and they expressed their support for Kazakh participation in the project. For Kazakhstan, the trans-Balkan pipeline is an alternative route to transport its crude oil to global markets. The CPC expansion and the Burgas-Alexandroupolis pipeline are important to the fast growing Kazakh oil industry. Today, Kazakhstan is among the world's top 20 net exporters of crude oil and for the European Union the Burgas-Alexandroupolis pipeline is a further important step to decrease dependence on the OPEC countries.
- Sea port of Aktau. Expansion opportunities are being also considered here.
- Project Kazakhstan – Turkmenistan – Iran. According to preliminary research, this route is economically viable to export Kazakh oil to the Gulf countries. The project stipulates that the oil pipe starts in Western Kazakhstan and runs via Western Turkmenistan to northern Iran.
- Construction of Trans-Caspian Gas Pipeline according to the agreement signed by Kazakhstan, Russia and Turkmenistan. The Mazhilis (Lower House of the Kazakh parliament) has approved a draft Law “On ratification of the agreement between the government of Kazakhstan, Russia and Turkmenistan on cooperation in construction of Pre-Caspian Gas Pipeline” on April 22, 2009.
- Constructions of the Caspian gas pipeline (according to the Agreement between Kazakhstan, Turkmenistan and Russia);
- Construction of Kazakhstan – China gas pipeline, launched in December 2009.



lifting of an oil pipeline



## Kazakhstan oil export capacities 2006-2015

### Pipeline Capacities

(in millions of tonnes per year)

	2006 confirmed	2010 most likely	2015 likely
CPC (Kazakh share)	23	50	55
Atyrau-Samara	15	25	30
Alibekmola-Kenkiyak-Orsk	6	6	6
TransCaspian to Makhachkala	5	5	5
TransCaspian to Neka/ Neka-Jask	6	18.5	20-27 (or 40)
Trans-Caspian to Baku/ BTC	6-10	20	30-50
China	10	20	30
KTI	-	-	25
Rail	7.5-14.0	(15)	(15)
Totals:	78.5-89.0	158.5-159.5	201-228 (241)

*Source: Platts*

Coordinated energy policy with neighboring countries has a vital importance for Kazakhstan as export routes cross their territories. Kazakhstan supports joint efforts aimed at expansion of existing systems' capacity and working out of mutually beneficial transit tariffs for hydrocarbons deliveries.

At the same time Europe has become another important partner for Kazakhstan in implementation of its energy policy. This interaction includes expansion and increase of transit opportunities for hydrocarbon supplies from Kazakhstan to European markets, including cooperation under TRACECA international project, TACIS INOGATE Program "International transportation of oil and gas in Europe" and The Energy Charter Treaty (ECT).

The main criterion for decision by the Government of Kazakhstan on projects aimed at diversification of exporting routes is their economic effectiveness.

Kazakhstan welcomes the active US involvement into activity for development of alternative export routes in Eurasia, particularly, from the Caspian basin to Europe. This approach fully corresponds to Kazakh national security priorities and reflects responsibility of the country in providing global energy security.



## Coal

The coal sector is also a priority investment area. Kazakhstan is among the world's top 10 coal rich countries, after the USA, Russia, China, Australia, India, South Africa and Ukraine. Kazakhstan contains Central Asia's largest recoverable coal reserves. The state register records 142 closed mines and 55 open-pit mines. Most mines are located in central Kazakhstan (the Karaganda and Ekibastuz coal basins and the Shubarkol mine) and north Kazakhstan (the Torgay coal basin). Recoverable reserves account for 45% and unrecoverable 55%.



Mining is carried out at 53 mines, including 15 in the Karaganda coal basin, by 34 companies (one joint venture, five foreign and 28 local companies). The major companies are: Bogatyr Access Komir, Shubarkol Komir, Mittal Steel Temirtau, the Eurasian Energy Corporation, Maykuben West, Karazhira Ltd, the Kazakhmys Corporation and Gamma. These companies invested over \$3 billion in mining coal (however, only 1% of it was spent on prospecting). The annual volume of investment grew 10-fold in 2005 from 1996 volumes and totalled \$375m; annual output reached about 105 million tons.

The coal sector is said to have enough reserves to last over 100 years. In future, the development of the raw materials base will be achieved through enriching and improving the quality of the coal and the deep processing of coal to obtain fluid fuel and synthetic substances. Developing shale is also topical. As an alternative source of energy, methane from coal mines in the Karaganda basin can be used. The high concentration of methane in coal layers and the existence of a well-

developed infrastructure and major gas consumers make it possible to extract it and utilise it on a large scale. This will also increase central Kazakh energy potential and provide gas not only to enterprises in Karaganda, Ekibastuz and Pavlodar districts but also to the country's capital, Astana.

The Ministry of Energy and Mineral Resources of Kazakhstan worked out Conception of the Kazakh Coal Industry Development which came in force last year.

Currently, Kazakhstan relies on coal for producing electric power.

## **ELECTRIC POWER INDUSTRY**

Kazakhstan recently was matched by the vigorous growth in the electrical and heat energy consumption. Over recent years the energy consumption in Kazakhstan was increasing by 5-7% every year. Thus, in 2007, the overall consumption amounted to 76.4 billion kWh which was 6.5% higher than in 2006. Over the nine months 2008, the power production and consumption have seen an increase of 7.6% and 8.3% respectively.

However, today the country's energy sector, which was largely established in the Soviet times, has reached its potential. Being alert to the impending problems the government is planning to undertake large-scale modernisation of the existing facilities and construct new ones during 2015-2030.

The government will be addressing this problem in accordance with the Action Plan for Development of Electric Power Industry of the Republic of Kazakhstan for 2007-2015 adopted by the prime minister's order of 31 May 2007.

The plan lists all the facilities that need to be constructed, renovated, or expanded until 2015, and outlines the measures to implement the plan, including as follows:

- developing the forecast of the energy supply and demand balance for 2007-2015;
- enhancing investment attractiveness of the sector;
- estimating the price levels for production, transportation, and supply of electricity;
- promoting energy saving technologies and sustainable energy resources management;
- developing the use of renewable energy in the country's power balance;
- and laying the basis for, and identification of the main trends for the nuclear energy development.

The key investment projects envisaged by the above plan are as follows:

Construction of the Balkhash Thermal Power Station (TPS). The estimated cost of the project is \$4.7 billion, capacity is 2,600 mW, and annual electrical supply is 15.4 billion kWh. The first two power units of 660 mW each to be launched in 2013.



Construction of the Moinak Hydroelectric Plant. The estimated cost is around \$340 million, capacity is 300 mW, average annual on-peak electrical supply is 490 million kWh, and off-peak supply is 537 million kWh. The construction to be completed in 2011.

Construction of power unit No 3 at the Ekibastuz GRES-2 (State Regional Power Plant). The cost of the project to be launched in 2013 is \$600 million.

Construction of the second 500-kV transmission line, North-South Kazakhstan transit route. The total length of the line is 1,115 km; the total cost is estimated at 43.7 billion tenge. New 248 metre-long 500 kV YuKGRES-Shu transmission line was launched in October 2008 marking the completion of phase one. With this line the transmission capacity of North-South transit route is increased by 100 mW. The total cost of the project is \$364.2 million. IBRD (\$100 million), EBRD (\$147.8 million), and Development Bank of Kazakhstan (9.7 billion tenge) provided loans for implementation of the project. The project is to be completed in 2009.

Construction of the North Kazakhstan – Aktobe Oblast interdistrict transmission line. The total length is 500 km; the estimated cost is 19,898.6 million tenge.

Modernisation of the National Electric Grid of Kazakhstan. The project aims to upgrade the power substations of the National Electric Grid, and ensure energy efficiency and security of its operations. The project will result in installation of modern high-voltage equipment, automation and relay protection facilities, a dispatch control system, monitoring and data processing (SCADA) and energy management systems (EMS), automated electricity metering system as well as a digital corporate telecommunication network. The national grid will be upgraded



in two phases: phase one is to be completed in 2009, phase two runs from 2008 to 2017. The total cost of the project is \$798.4 million. Loans are provided by IBRD (\$140 million for the first phase) and EBRD (\$45 million for the first phase and €255 million for the second one).

Construction of 500/220 kW Alma substation connected to Kazakhstan National Electric Grid via 500 kW and 220 kW lines. The project cost is 30 billion tenge. The feasibility studies have been completed. The construction process is to be sped up due to the overload of the main 500 kW Almaty substation autotransformers supplying energy to Almaty city and Almaty Oblast.

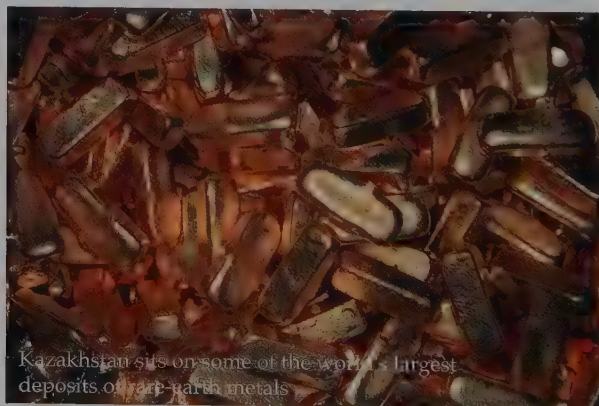
Scheme of power distribution of the Moinak hydroelectric plant. This 7.5 billion tenge project is designed to ensure the output of power from the Moinak plant that is currently being constructed, to supply electricity to the southern regions of Kazakhstan. The feasibility study is in place.

Power output of Balkhash TPS will result in the construction of the 208 km-long YuKGRES-Shu transmission line and the 313 km-long Shu-Zhambyl transmission line, of 500 kW capacities each. The project cost is \$258 million. The financing source is to be decided. Project implementation period: phase one – 2013, phase two – 2015.

Reconstruction of 220 kW transmission line from the Central Main Step-down substation to Osakarovka. The project aims to construct and connect a 220 kW substation to supply energy to the industrial zone of Astana. Two 220 kW transformers at the step-down substation will be replaced. The estimated cost is \$71 million.

## Uranium

Kazakhstan has the second largest uranium reserves in the world (following Australia). Kazakhstan has 55 uranium deposits, 70% of which are feasible for development using the underground leaching method. Kazatomprom, the Inkay and Katko joint ventures and the Stepnogorsk Mining and Chemical Combine are involved in uranium extraction.



Over \$551 million was invested in the sector in a decade, and 98% of this in extraction. The uranium sector has enough raw material bases to last for 100 years.

Kazakhstan aims to overtake Australia and Canada as uranium producer by the end of 2009. Kazatomprom's top management announced that the country's uranium output is expected to reach 11,935 tons in 2009, a more than 40 percent increase over the 8,512 tons produced last year.

Planned production sites in Kazakhstan slated for opening in 2009 include the Khorasan-1 and Khorasan-2 mines, which will eventually have production capacities of 3,000 tons and 2,000 tons of uranium per year respectively, the company said. It is expected that by the middle of 2010, Kazakhstan will be able to complete the creation of the technical foundations necessary for boosting Kazakhstan's uranium output to 27,000 tons per year.

Taking into account the growing capacities of nuclear power engineering and shortages of uranium, joint investment projects in Kazakhstan have already generated great interest among companies from the USA, Europe, Russia, Japan and China. In April 2005, South Korea and Kazakhstan established a joint mining venture for uranium, scheduled to begin operations in 2008 with an eventual annual output of 1,000 tons. In April 2006, Kazakhstan and Japan signed a civil nuclear cooperation agreement under which Japan will import uranium for power generation from Kazakhstan. Other foreign companies investing in Kazakhstan's uranium industry include Canada's SXR Uranium One Inc., Japan's Marubeni Corp., China's Guangdong Nuclear Power Group, Britain's New Power Systems Ltd. and the U.S. uranium trading company Nukem. In October 2007, Kazatomprom completed its purchase of a 10% stake in Westinghouse from Toshiba for \$540 million.

## **Renewable Energy: Biofuels**

Kazakhstan has the necessary economic potential for the production and development of bio fuels. According to the Ministry of Agriculture of Kazakhstan, using common wheat for the production of bioethanol is most appropriate in Kazakhstan's climatic conditions. Many experts are convinced that by using low-quality wheat (1 million tons) and unused grain leftovers (about 1.9 million tons) only Kazakhstan can produce 1 billion litres (812,000 tons) of bioethanol by 2010. At the second stage the country can involve long-fallow lands to allow for the production of some 2.1 billion litres (1.7 tons) of environmentally friendly fuel. In this case Kazakh biofuel production costs are expected to be quite low – 10 per cent lower than in Brazil and 1.5-2 times lower than in the United States or Europe.

The Ministry of Agriculture agrees and claims that even adjusted for the domestic demand, export potential of Kazakh biofuels will amount to 3-6 billion litres annually.

## Kazakhstan's Position on WTO Accession After Creation of the Customs Union



In June 2009, it was announced Kazakhstan would join the newly established Customs Union, together with Russia and Belarus, and would suspend bilateral negotiations on its accession to the World Trade Organization (WTO). Three Customs Union countries announced they would seek collective membership in the organization.

### Kazakhstan's Position

#### 1. Accession to the WTO Remains a Priority

Accession to the WTO has always been and remains a foreign policy priority for Kazakhstan. Negotiations on the country's WTO accession have been on-going for more than 13 years. Kazakhstan has also worked to create the Customs Union, which is viewed as a practical realization of the Kazakh President's idea concerning the economic integration of Eurasian countries similar to the European Union announced by him in the mid-1990s.

It is well known that a unified customs territory is an integral step towards higher level of economic integration. Neither in negotiations on the WTO, nor in negotiations on the Customs Union did Kazakhstan ever renounce its interests, as the country considers both processes to be mutually complementary rather than mutually exclusive. Therefore, the processes of Eurasian integration and WTO accession have always been in parallel.

#### 2. Creating Customs Union Protects Kazakhstan's Economic Interests

Kazakhstan's decision on creating the Customs Union together with Russia and Belarus was based solely on the country's own economic interests including the following factors:



**Mineral Reserves.** Kazakhstan has the sixth largest mineral reserves in the world and is a major player in the energy markets. A major portion of mineral and energy resources produced in Kazakhstan is exported to external markets. One of the main tasks of the Government of Kazakhstan is development of nonextractive sectors and diversification of the economy and export promotion of highly marketable products. A unified customs tariff within the Customs Union would expand the regional market and promote Kazakh exports. Future customs tariff policy within the Customs Union will allow the import of raw materials and equipment under low custom duties within the development of investment projects. Establishment of the Customs Union would entail creation of a unified commodity market with a total GDP of about \$2 trillion (2008) and a population of 180 million people, as well as create preferential conditions within the Customs Union. Such a large market within a unified customs territory would make Kazakhstan even more attractive for foreign investors who have considered Kazakhstan as one of the most attractive markets in our part of the world.

**Geopolitical Realities.** Kazakhstan is the largest land-locked country in the world and much of its foreign trade depends on the routes that go through the territories of neighboring states. Membership in the Customs Union will provide Kazakh businesses with domestic (non-discriminatory) transit tariffs, taking into consideration that almost all the trading relations, particularly with the European Union, are implemented through the transit of the territory of Russia.

**Global Financial Crisis.** The crisis has thinned down the flow of FDIs, decreased trade turnover, led to the introduction of protectionist mechanisms by some trade partners, and seriously damaged the economies of neighboring states. This harsh reality, therefore, demanded a more active and joint approach to further integrate and modernize the regional economy. Creation of the Customs Union will allow for more efficient use of the limited financial resources due to the global economic crisis. It will also provide a rationale for companies to use available resources to increase their production capacity.

**Accession to the Customs Union.** This will provide sizable benefits for Kazakhstan and serves its long-term economic priorities. The decision was based on the need to meet Kazakh national economic interests including:

- Unimpeded access to global markets

- Expanding trade with large neighboring economies, such as Russia and China

- Accelerated economic diversification by moving towards service and technology based economy.

### 3. WTO and Customs Union Negotiations Moved in Parallel

As mentioned earlier, negotiations on Kazakh accession to the WTO and efforts to join the Customs Union were moving in parallel. The idea of establishing a single customs territory was initiated earlier and had been moving at a much better pace, which was in full compliance with Kazakh economic interests. The

process of harmonizing tariffs within the creation of the Customs Union demanded flexibility from every member and a transition period was introduced for some major commodities sensitive for Kazakhstan. It is also important to understand that the pace for creating the Customs Union has been, to a large extent, dependent on the political will from the Governments of the three states. Therefore, promotion of trade and economic cooperation with the neighboring countries has become the most important priority.

#### 4. Kazakhstan's Decision to Join Customs Union Was Not Sudden

Speculations about Kazakh "unexpected" and "sudden" decision to join the Customs Union with Russia and Belarus are groundless as well. Kazakh Special Representative for WTO accession negotiations, Ms. Zhanar Aitzhanova, regularly briefed American counterparts on this issue, as she was also directly involved in negotiations on the Customs Union. Moreover, in February 2009, Kazakhstan at a very senior level informed U.S. Ambassador to Kazakhstan Richard E. Hoagland that the country, together with Russia and Belarus, would soon announce its decision to create the Customs Union. Astana noticed certain constructive reaction on behalf of Washington, however, our American partners seemingly failed to conceive, in all its depth, our signal toward a significant growth of dynamism in the process of creating the Customs Union.

#### 5. Establishment of Custom Union Does Not Close WTO Doors

We know that a collective WTO accession by a group of countries is an unprecedented project and our Western partners are concerned about its future prospects. Nevertheless, we believe that the Custom Union's collective accession to the WTO is not in direct contradiction with the WTO's fundamental documents. On June 17-19, 2009 WTO negotiating teams of Kazakhstan, Russia, and Belarus held consultations with representatives of the WTO secretariat in Geneva in regards to our efforts to enter the WTO. Our sincere hope is that the secretariats of the Customs Union and WTO will continue constructive negotiations to identify ways of achieving proper WTO membership. We strongly believe that the establishment of the Customs Union does not "close WTO doors" for Kazakhstan and we are hopeful that the process of collective accession will succeed.

## WORLD BANK PROGRAMS IN KAZAKHSTAN



**The World Bank**

Astana office:

Samal - 12, 14th Floor,

Astana Tower

010000 Astana

Tel: (7 7172) 580-555

Fax: (7 7172) 580-342

Almaty office:

41 Kazybek bi Street,

4th floor

050100 Almaty

Tel: (7 7272) 980-580

Fax: (7 7272) 980-581

The World Bank's mission in Kazakhstan is to support the country's efforts to achieve long-term economic growth that translates into more jobs and better social services for all citizens. The mission is done through project financing, analysis and advice that support the country's development agenda.

Kazakhstan joined the World Bank in July 1992. In the first few years after independence, the World Bank focused on helping the country to implement financial and private sector reforms. After 1997, the focus shifted to public administration reform, with specific attention on improving the country's welfare and social protection policies. At present, the World Bank is assisting the country with reforming agriculture, protecting the environment, upgrading infrastructure, with the aim of fostering sustainable economic growth.

### **Recent economic performance**

Amid world financial crisis 2009 was going to be a very difficult year for Kazakhstan's economy. Lower oil and commodity prices, adverse conditions in international financial markets, and developments in Russia are negatively affecting confidence, credit availability, and foreign exchange inflows. Economic growth decreased to 3.2% in 2008 and projected to slow further this year to 1% in 2009, before recovering modestly during 2010, while inflation is expected to continue to ease. After recording a large surplus in 2008, the current account is projected to swing into deficit this year as export earnings fall.

The government of Kazakhstan has pro-actively introduced a set of policies under its Anti-Crisis Program to help mitigate economic vulnerabilities and establish a basis for the resumption of strong growth. In these endeavors, it has benefited from the prudent policy stance it followed in earlier years which meant that Kazakhstan entered the current difficult period with a large fiscal surplus, low public debt, and a substantial stock of foreign currency assets, although the prompt and effective implementation of the measures will be the key to their success. For now the major goal is to implement the Anti-Crisis Program effectively and



transparently. The crisis is serious and one shouldn't be expecting a steep upturn. It's of great importance to maintain the nation's achievements, support socially vulnerable groups of population, and invest into human capital development. Moreover, the crisis encourages economy diversification. According to the World bank in the mid and long term Kazakh prospects remain positive.

### Challenges ahead

Despite major achievements, the following issues still need to be addressed:

- A comprehensive strategy is needed to identify and address vulnerabilities in the banking sector. The starting point should be a full evaluation of the current financial situation of the major banks, strengthening supervision, full and transparent accounting. While input from external experts will be helpful, the Financial Supervision Agency should remain at the center of this process.
- With the construction-banking nexus at the heart of many of Kazakh economic difficulties, the government's plans to intervene to help complete unfinished construction projects are welcomed. However, this support should not bailout insolvent construction companies. Otherwise, adjustment in the sector will be prolonged and there is a risk that banks will continue to lend money to unviable companies.
- Given the strong starting position, the substantial easing of fiscal policy over the past year has been appropriate and is providing important support to growth. However, with the new tax code having just come into effect on January 1, 2009 and the outlook for oil prices uncertain, it will be important that the government closely monitors revenue collections in the coming months to ensure they remain on track.
- Managing oil revenues effectively. Good management of oil revenues and sound public spending are essential to improving competitiveness and productivity. Oil flows need to be managed to avoid inflation as well as to develop the non-oil sector.
- Diversifying the economy by improving the business environment. The country needs to attract private investment, both foreign and domestic, into non-extractive industries to increase job opportunities and incomes. To lower investment risks and the cost of doing business, red tape and rent-seeking behaviors such as licensing and inspections must be reduced, and reform of key institutions such as the tax and customs administrations must continue.
- Building human capital. Given the country's acute skills shortage, it is essential to invest in education and make the system more responsive to the needs of a market economy. It is also necessary to replace the quotas on the import of skilled foreign professionals by a system that attracts highly qualified labor.

- Adopting a sound agricultural policy. Adoption of a support policy that defines the degree and modalities of state intervention in agriculture is essential. Land restructuring and management will require significant attention. Policies to encourage the development of water-user associations and related water-management policies also need attention.
- Developing institutions that can implement a sound spending policy. The Government needs to bolster its capacity to conduct effective project analysis, evaluation, and design, and to implement targeted social assistance and sector development strategies.
- Improving infrastructure for a better business environment. Businesses can be helped to become more profitable if key infrastructure in telecommunications, roads, and irrigation facilities is improved.

#### Programs to date

The Bank assisted Kazakhstan in upgrading and modernizing the country's power transmission systems, helped increase agricultural productivity by rehabilitating deteriorating irrigation systems, and encouraged the rural community to diversify into non-traditional areas by nurturing their business skills. In addition, people in the country's western region, who have suffered from a shortage of good quality water, now enjoy better health as a result of improved water supply and sanitation.

Since 1992, total World Bank commitments to Kazakhstan have amounted to more than \$2 billion for 31 projects. In fiscal year 2008, the commitments to Kazakhstan totaled almost \$150 million, bringing total overall commitments for active projects to \$708 million.

#### Going forward

Given the country's reduced need for external financing, the World Bank program has shifted toward more focused investment loans, policy dialogue, and knowledge transfer. The second round of the three-year Joint Economic Research Program, an innovative mechanism for planning and financing analytical work, is currently being implemented by the Bank and the Government of Kazakhstan under a cost-sharing arrangement.

The Bank's Country Partnership Strategy (CPS) with Kazakhstan is built on the lessons learned in earlier years and on renewed efforts to strengthen the policy dialogue.

Current Bank's strategy is focus on the following areas:

- *Prudently managing oil revenues and increasing public sector efficiency.*
- The National Fund of the Republic of Kazakhstan was established in 2000

to prudently manage oil revenues. The Government has since focused on the optimal size of the National Fund, as well as on the level of public spending and ways to increase its efficiency. The Bank is offering best-practice experience and analytic studies on oil-fund management to help the Government manage oil windfalls.

- *Strengthening the Government's capacity to identify and reduce barriers to businesses and private investors.* To ensure economic diversification, the government is committed to reducing the barriers for new businesses and to maintaining the country's liberal trade regime. WTO accession and greater regional cooperation, particularly in areas such as infrastructure as well as customs and trade facilitation, are seen as vehicles to help Kazakh firms to link into the global marketplace.
- *Building the foundation for future competitiveness by investing in human capital and basic infrastructure.* Consensus has recently been reached in the Government that capital and labor productivity must be enhanced to achieve the country's long-term vision of development. With this aim, the Bank is helping the Government identify options for reforming railways, road management, telecommunications, and electricity markets.

Sustaining competitive growth through a focus on the environment. Kazakhstan inherited significant environmental liabilities related to past military, industrial, and mining activities. It also faces land degradation and desertification and water scarcity. The National Environmental Action Plan for Sustainable Development prepared in 1999 sets out remedial investments that are now being undertaken by the government. The World Bank supports the Government's activities through the implementation of four ecological projects that address the management of dry lands, preservation of the northern part of the Aral Sea, cleaning up the pollution of river and underground water, and industrial waste treatment.

#### World Bank Partners in Kazakhstan

The World Bank works in close coordination with members of the government, civil society, community leaders, and other international donor organizations for providing the most effective assistance to the country.

The following chart highlights some of the priority areas and the organizations the World Bank coordinates with to improve development in the country.



Sector	National Implementing Agency	Partners
Agriculture	Ministry of Agriculture	USAID, TACIS
Natural Resources	Ministry of Natural Resources and Environment Protection	UNDP, bilateral donors
Public Administration	Ministry of Finance, National Agency on Public Service Affairs	USAID, UNDP, TACIS
Road Sector	Ministry of Transport and Communications	ADB, EBRD, TACIS, IDB, KFW, UNDP
Social Sector	National Agency on Statistics	
Water Sector	Committee for Water Resources under MNREP	ADB, DFID



Fabulous building of the Nur-Astana Mosque



Astana's New Mosque



The largest synagogue  
in Central Asia is in Astana



Rich diversity of a multiethnic Kazakhstan





Kazakh student communities abroad



Graduates of Bolashak Presidential Scholarship



Kazakhstan as a post-Soviet nation is known for its strength in natural sciences



A lesson at an elementary school





Undegrads attend a lecture at Kazakh university



The modernization of schools is our main goal in education



# **AVOIDING “THE OIL CURSE” THE STRATEGY OF KAZAKHSTAN ON NEW INDUSTRIAL DEVELOPMENT AND INNOVATIONS AND TO JOIN THE WORLD’S 50 MOST COMPETITIVE NATIONS FOR THE YEARS 2003-2015**

New development institutions of 2003 and the National Oil Fund of Kazakhstan

From the very outset the Government of independent Kazakhstan have sought to lay the foundations of a market economy, civil society and democracy – simultaneously through pursuing economic growth and rising living standards whilst maintaining stability. It clearly understood that without all three there was little realistic expectation that newly won freedom could be preserved.

Of course, it had to rely on rich energy resources and spared no effort to ensure speedy development of this sector of the economy. But there was an early understanding that the oil could become a curse unless proper policies are developed, that oil is an opportunity, not a guarantee of economic success.

At the beginning of 2003, the Government of Kazakhstan has adopted The Innovative Industrial Development Strategy for the years 2003-2015 (New Industrial Development Strategy). The Strategy came at the time when basic economic reforms have been completed successfully replacing the old system of economic relations with market economy. In the first decade of its independence Kazakhstan was successful in fostering market-based institutions, the country's energy industry saw a rapid growth and the banking sector has taken the leading positions within the CIS countries. In the last seven years Kazakh GDP grew by more than 75% and it is the leader within the CIS on inbound foreign direct investments per capita. From 1993 to 2008, Kazakhstan has attracted more than USD 76 bln. of FDIs (in 2006 – USD 10,4 bln., in 2007 – USD 17,4 bln., in 2008 – USD 14,5 bln.). It has been recognised by the leading industrial nations (US and EU) as a country with market economy.

However, being aware of the economy's heavy reliance on the energy and minerals sectors the Government of Kazakhstan adopted an ambitious three-stage New Industrial Development Strategy to ensure sustainable development of the domestic economy through its genuine diversification, creation of new competitive industries, modernisation and expansion of the existing infrastructure with the ultimate goal of moving from an extraction-based industry to a service and technology based economy.

On top of the successfully operating National Oil Fund and Development Bank of Kazakhstan (first ever institution of the sort in the FSU) established back in 2000 and 2001 respectively new development institutions have been established

in 2003 within the Strategy, all deriving millions of dollars from oil revenues (this is apart from US\$ 1.5 bln. set aside by the Government in the state budget from oil revenues for 2003-2005 to implement two more programmes – for further agricultural reform and for rural development).

The Government has continued optimization of the institutional basis for further implementation of the Innovative Industrial Development Strategy and sharpening the country's competitive edge in a fast globalizing world economy. In October, 2008 the "National Wealth Fund "Samruk-Kazyna", JSC, was established through the merger of "Sustainable Development Fund "Kazyna", JSC, and "Kazakhstan Holding for Management of State Assets "Samruk".

"Samruk-Kazyna" has embodied eight development institutions currently operating in Kazakhstan – Development Bank, Investment Fund, National Innovation Fund, Export Credit Corporation, Kazakhstan Investment Promotion Center "KazInvest", Corporation for Export Development and Promotion "KAZNEX", Kazyna Capital Management Fund and Entrepreneurship Development Fund "Damu".

Following is a brief overview of these institutions.

## **“NATIONAL WEALTH FUND “SAMRUK-KAZYNA”, JSC**



Mr. Kairat Kelimbetov  
CEO



Sir Richard Evans,  
Independent Director,  
Member of the Board of Directors

### **Contacts:**

Address: Kazakhstan,  
010000, Astana,  
Kabanbay Batyr av., building 23  
Blocks A, B, C.

Tel.: (+7 7172) 79-04-86, 79-04-87, 79-04-88 and 97-94-42  
Fax.: (+7 7172) 79-04-00 and 97-94-45

The “Samruk-Kazyna” was established to increase competitiveness and sustainability of the national economy and to prevent a potential negative impact of world market changes to the country’s economic growth.

The core aim of the Fund activities is to manage share holdings of national development institutions, national companies and other legal entities for maximization of their long-range value and enhance of competitiveness on international markets.

As of January 1, 2009, the consolidated authorized capital of the Fund is appx. KZT3.5 Trillion, equivalent to USD29 Billion.



#### Fundamentals of the Fund Activity:

- Observance of state interests as the sole shareholder of the Fund;
- Transparency, efficiency and flexibility of activity of the Fund and companies;
- Consistency and operational efficiency in decision making and realization;
- Responsibility and accountability.

#### Main Directions of the Fund Activity:

- Assistance in modernization and diversification of national economy;
- Assistance in stabilization of national economy;
- Increase of activity efficiency of companies.
- The key direction of activity of the Fund and companies is modernization and diversification of national economy within realization of the Address of the President of the Republic of Kazakhstan, Strategy for Innovation and Investment Development of the Republic of Kazakhstan for 2003-2015, Program “30 Kazakhstan Corporate Leaders”, aims and goals, assigned to companies.

The Fund is designated to extend maximum assistance to the Government of the Republic of Kazakhstan taking prompt and operative decisions on attraction of investments to real sector of the economy, stirring up the activities in the regions, strengthening of inter-sectoral and interregional ties utilizing to maximum extent the existing advantages and potential.

Efficient diversification and modernization of national economy are implemented through realization of intensive investment activity, especially in priority sectors of the economy such as

oil and gas, electric energy, metallurgy, chemistry, petrochemistry and infrastructure.

#### Main Objectives of the Fund:

- To elaborate and provide the realization of investment projects of regional, national and international scale;
- To support and modernize existing assets of Fund group companies;
- To assist the development of regions and realize social projects;
- To support national commodity producers, domestic goods and services.

#### Functions of the Fund within aforementioned objectives:

- To elaborate and (or) realization, and (or) financing of investment projects of regional, national and international scale, including the real sector of the economy, using its own resources and (or) with participation of the companies, as well as jointly with strategic foreign and (or) domestic investors, through equity financing and loan extension;

- To act as an operator for realization of the Programme “30 Kazakhstan corporate leaders” and other programs and plans based on the decisions of the Government of the Republic of Kazakhstan;
- To develop new sectors of economy and to purchase economically attractive assets both in the country and abroad;
- To ensure cooperative and active investment policy;
- To attract domestic and foreign, state and private investments; to introduce innovations in different spheres of economy;
- To raise balanced debt capital on foreign and domestic markets;
- To finance SME projects;
- To establish efficient complex system of financial and investment instruments group companies;
- To develop interregional economic ties through the realization of projects on the territory of the Republic of Kazakhstan;
- To ensure break-through development of regions through the actions of social and entrepreneurial corporations.

#### Functions of the Fund:

- To participate in stabilization programs of the Government of the Republic of Kazakhstan;
- To purchase of authorized voting shares of second-tier banks;
- To allocate tied funds in second-tier banks in order to promote social and economic development, including completion of construction sites, financing of SME and agro-industrial complex;
- To assist in development of mortgage loan market and housing construction holdings system;
- To define, approve and carry out monitoring of procurements order of the Fund and companies, that set the mechanisms for increase of domestic component in procurements of the Fund and companies got from Kazakhstan producers of goods and services, for provision of localization of production, assembly, repair and service of imported equipment in Kazakhstan only when the equipment is purchased in large volume by the companies;
- Asset management of JSC “Stress Assets Fund”.

#### Activity of Samruk-Kazyna Fund for stabilization of the economy of the Republic of Kazakhstan:

1. Stabilization of financial sector
2. Problem solving on real estate market
3. Support of SME
4. Development of agro-industrial complex
5. Realization of innovation, industrial and infrastructure projects

# **“NATIONAL WEALTH FUND “SAMRUK-KAZYNA”, JSC, SUBSIDIARIES AND DEPENDENT ORGANIZATIONS**

*About 40% of the national GDP is within the realm of the Fund  
Total amount of the Holding Company employees is more than 260 thousand,  
including 205 employees of the Management Company*

1. JSC “Kazmunaigas” – 100% subsidiary
2. JSC “Kazakhstan Temir Zholy” – 100% subsidiary
3. JSC “KEGOC” – 100% subsidiary
4. JSC “Kazakhtelecom” – 45.9% ownership
5. JSC “Kazpost” – 100% subsidiary
6. JSC “Air Astana” – 51% ownership
7. JSC “National Sea Shipping Company “Kazmortransflot” – 50% ownership
8. JSC “Kazakhstan Engineering” – 100% subsidiary
9. JSC “Samruk-Energo” – 93.42% ownership
10. JSC “Kazakh Research and Development Institute of Energy”
11. JSC “Kazakh Operator of the Electrical Energy and Power Market” – 100% subsidiary
12. JSC “Pavlodar Airport” – 100% subsidiary
13. JSC “Aktobe International Airport” – 100% subsidiary
14. LLP “Repairs Corporation “Kamkor” – 100% subsidiary
15. LLP “Samruk Invest” – 100% subsidiary
16. LLP “Telecom Samruk Invest” – 100% subsidiary
17. JSC “Development Bank of Kazakhstan” – 100% subsidiary
18. JSC “Kazyna Capital Management” – 100% subsidiary
19. JSC “Entrepreneurship Development Fund “Damu” – 100% subsidiary
20. JSC “National Fund for Innovation” – 100% subsidiary



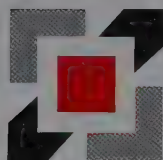
21. JSC “Kazakhstan Export Credit Insurance Corporation” – 100% subsidiary
22. JSC “Investment Fund of Kazakhstan”
23. JSC “Corporation for Export Development and Promotion “Kaznex”
24. JSC “Engineering and Technology Transfer Center” – Trust management
25. JSC “Astana – Finance” – 26% ownership
26. JSC “Kazakhstan Mortgage Company” – 91% ownership
27. JSC “Kazakhstan Mortgage Guarantee Fund” – 89% ownership
28. JSC “Zhylstroisberbank” – 100% subsidiary
29. JSC “National Company “Saryarka” – 100% subsidiary
30. JSC “National Company “Ontustik” – 100% subsidiary
31. JSC “National Company “Ertis” – 100% subsidiary
32. JSC “National Company “Zhetysu” – 100% subsidiary
33. JSC “National Company “Kaspi” – 100% subsidiary
34. JSC “National Company “Tobol” – 100% subsidiary
35. JSC “National Company “Batys” – 100% subsidiary
36. JSC “Maikainzoloto” – 25% ownership
37. JSC “Kazatomprom” – 100% subsidiary
38. “Kazakhmys PLC” – 14.99% ownership
39. “Eurasian Natural Resources Corporation PLC” – 11.65% ownership

## DEVELOPMENT INSTITUTIONS OF KAZAKHSTAN

The common goal the development institutions of Kazakhstan share is to encourage implementation of the Nation's programs for economy diversification, providing support to small and medium businesses. In general, the development institutions should form a unified system, the sustainable functioning of which will be based on the principles of decentralization, specialisation, competition and transparency.

At present the Government of Kazakhstan is working on ideas of the future format of the DI able to strengthen their role in reaching industrial and innovative goals of the country as it has been proposed by the President of Kazakhstan Nursultan Nazarbayev in the end of March, 2009. It is known for sure that the Ministry of Industry and Trade will have increased importance in diversification activity. And one of the variants which are being studied by the Government is to put the DI under the management by the Ministry.

The following describes the key features of the DI as of April, 2009.



### Development Bank of Kazakhstan

Development Bank of Kazakhstan was formed on April 25, 2001. It has an authorised capital of KZT (tenge) 71,5 bln. (approx. \$ 586 mln.).

Chairman : Mr. Gali Iskaliyev  
Tel. : (+7 7172) 792606  
Fax : (+7 7172) 580269  
e-mail : [info@kdb.kz](mailto:info@kdb.kz)  
Web-site : [www.kdb.kz](http://www.kdb.kz)  
Postal address : Kazakhstan, Astana, 010000, Left bank,  
Orynbor str., 10, "Kazyna Tower".



INVESTMENT FUND  
OF KAZAKHSTAN

### Investment Fund of Kazakhstan

Investment fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 37,9 bln. (approx. US \$ 296 mln.).

Chairman: Mr. Sergey Eltsov  
Tel. : (+7 727) 258 83 33, 259 81 31  
Fax : (+7 727) 258 37 99  
e-mail : [ifk@ifk.kz](mailto:ifk@ifk.kz)  
Web-site : [www.ifk.kz](http://www.ifk.kz)  
Postal address : Kazakhstan, 050010 Almaty, Zenkov Str. 80.



### **National Innovation Fund**

The Innovation Fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 9.5 bln. (approx. US \$ 68 mln.).

Chairman: Mr. Auyelbek Tokzhanov  
Tel. : (+7 727) 259 98 16, 259 98 17, 259 98 19  
Fax : (+7 727) 259 98 39  
e-mail : [info@nif.kz](mailto:info@nif.kz)  
Web-site : [www.nif.kz](http://www.nif.kz)  
Postal address : Kazakhstan, 050013 Almaty, Nauryzbay  
Batyr str., # 154-A, 5th floor



### **Export Credit Corporation**

(State Insurance Corporation for the Insurance of Export Credit and Investment)

Export Credit Corporation was formed on August 8, 2003. It has an authorised capital of KZT (tenge) 7.7 bln. (approx. US \$ 63 mln.).

Chairman : Mr. Galym Amerkhodzaev  
Tel. : (+7 727) 250 00 21  
Fax : (+7 727) 293 88 37  
e-mail : [info@kecic.kz](mailto:info@kecic.kz)  
Web-site : [www.kecic.kz](http://www.kecic.kz)  
Postal address : Kazakhstan, 050010 Almaty, Zenkov str.,  
building # 80



### **kazinvest**

### **KazInvest**

Kazakhstan Investment Promotion Centre

President : Ms. Botakoz Kopbayeva  
Tel.: : (+7 727) 278 01 27  
Fax: : (+7 727) 250 12 77  
e-mail : [kazinvest@kazinvest.kz](mailto:kazinvest@kazinvest.kz)  
Web-site : [www.kazinvest.kz](http://www.kazinvest.kz)  
Postal address : Kazakhstan, Almaty, post code 050004,  
Gogol Street 111, Floor 3.





**Corporation for export  
development and promotion  
"KAZNEX"**

The Corporation for export development and promotion was formed on February 20, 2008 on basis of the Centre for Market Research and Analysis of Kazakhstan. It has an authorised capital of KZT (tenge) 2.83 bln. (approx. \$ 23.5 mln.).

Chairman	: Mr. Yerlan Arinov
Tel.	: (+7 7172) 79 17 18
Fax	: (+7 7172) 79 17 19
e-mail	: info@kaznex.kz
Web-site	: www.kaznex.kz
Postal address	: Kazakhstan, 010000 Astana, Sygynak str., building # 10/2, Business Center "Nomad", floors 6-7



**KAZYNA  
CAPITAL  
MANAGEMENT**

**Kazyna Capital Management**  
"Kazyna Capital Management"  
was formed on March 2007

Chairman	: Mr. Abay Alpamysov
Tel.	: (+7 727) 334 14 17
Fax	: (+7 727) 334 14 18
e-mail	: info@kcm-kazyna.kz
Web-site	: www.kcm-kazyna.kz
Postal address	: Kazakhstan, Almaty, Dostyk avenue, building # 291/3a, floor 2



**Entrepreneurship Development Fund  
"Damu"**

EDF "Damu" started operating on  
August 18, 1997

Chairman	: Mr. Bulat Mukushev
Tel.	: (+7 727) 244 55 56, 244 55 77
Fax	: (+7 727) 244 83 41, 278 07 76
e-mail	: frmp@fund.kz
Web-site	: www.fund-damu.kz
Postal address	: Kazakhstan, 050004 Almaty, Gogol str., building # 111

## NATIONAL FUND OF KAZAKHSTAN

National Fund of Kazakhstan was established in compliance with the Decree of the President of the Republic of Kazakhstan dated August 23, 2000. The National Oil Fund of Kazakhstan is managed by the Ministry of Finance of the Republic of Kazakhstan ([www.minfin.kz](http://www.minfin.kz))

The Fund has two basic goals:

guaranteeing sustainable socio-economic development of the country and savings for future generations – saving function;

reduction of economy dependence on unfavorable external factors – stabilizing function.

The Fund's assets are being exclusively invested into foreign financial instruments represented by foreign currencies.

Stabilizing portfolio is being invested into reliable highly liquid assets of monetary markets of countries with high credibility rating.

Saving assets are being invested into both debt and share holding instruments in the world's developed countries. This approach favors diversification and raising higher long-term revenues.

The National Fund is believed to be very sizeable financial cushion making the country's budget much less dependent on the oil conjuncture and more protected against external shocks. The important reason for the National Oil Fund is to reduce Kazakh exposure to price fluctuations for energy and commodity exports.

Previously, the fund had been kept in dollars, but now its currency structure has been diversified. Fund's structure: 48.5% is kept in dollars, 27.85% in euros, 10.1% in pounds sterling and 8.75% in yens. Altogether the fund composition includes 15 currencies.

As of early January 2009, net worth of the Fund was \$27.486 bln. But on Fall 2008 the Government of Kazakhstan took decision to use for the first time ever the Fund's assets for implementing anti-crisis programs. The approved amount to withdraw is \$ 10 bln. which have been started to be invested into the economy since the first quarter of 2009. So, by the April 2009 the total volume of the Fund's assets reduced to the amount slightly bigger than \$22 bln.

Advanced world experience as grounds for the National Fund of Kazakhstan. Taking into consideration many features Kazakhstan and Norway have in common as oil exporting nations Kazakhstan has based its National Fund establishing experience on the example of the Norway Oil Fund.

KAZAKHSTAN	NORWAY
Kazakh oil production is growing fast	Norway is one of the largest oil and gas exporters in the world
<p>Goals of the National Fund:</p> <ol style="list-style-type: none"> <li>1. Ensure stable social and economic development of the country</li> <li>2. Accumulate financial resources for future generations</li> <li>3. Reduce the economy's susceptibility to unfavourable external factors</li> </ol>	<p>Goals of the Norwegian Oil Fund:</p> <ol style="list-style-type: none"> <li>a. Financial buffer to smooth short-term variations in oil revenues</li> <li>b. Mechanism to cope with long-term challenge of funding pensions in the face of declining oil revenues</li> </ol>
<p>Funded by proceeds from oil royalties, the sale of mineral assets and privatization</p> <ul style="list-style-type: none"> <li>• Operations require annual approval by Parliament</li> <li>• Assets held at the National Bank of Kazakhstan and managed according to Ministry of Finance guidelines</li> <li>• Oversight by a Management Council formed by the President, the Prime Minister, and members of Parliament, with an annual independent audit</li> </ul>	<p>Income sources: central government cash flow from petroleum activities and return on invested capital</p> <ul style="list-style-type: none"> <li>• Distribution: only for transfers to government fiscal budget with approval of Norwegian Parliament</li> <li>• Managed by Norwegian Central Bank according to Ministry of Finance guidelines</li> </ul>



# REGIONAL FINANCIAL CENTRE ALMATY

Kazakhstan, 050010 Almaty  
Kunayev str., building # 181  
www.rfca.kz

Tel. 007 (727) 244 95 00  
Fax: 007 (727) 244 65 16  
e-mail: office@rfca.kz



Mr. Arken Arystanov, Chairman

arystanov@rfca.kz

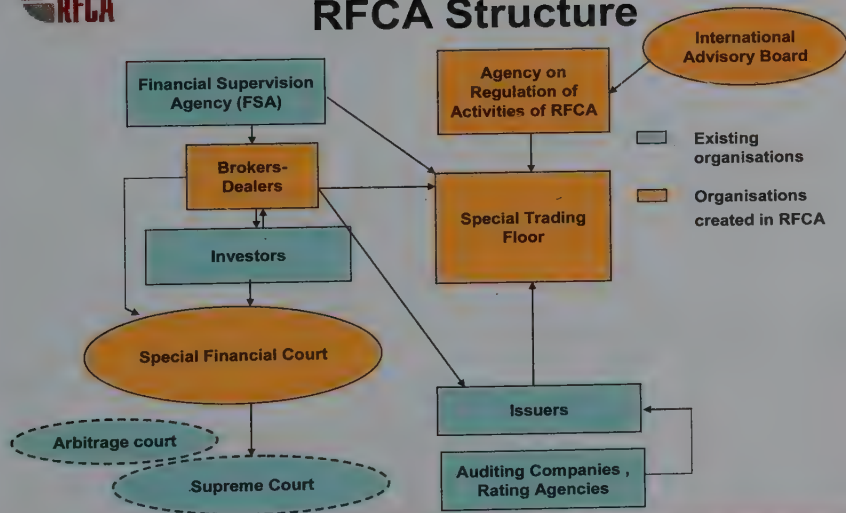


Mr. James Wolfenson,

(Former World Bank Chairman)  
Advisor to the President of Kazakhstan on RFCA



## RFCA Structure



AGENCY OF THE REPUBLIC OF KAZAKHSTAN ON REGULATION OF ACTIVITIES OF THE REGIONAL FINANCIAL CENTRE IN ALMATY CITY



Kazakhstan's vision is to become the financial centre for Central Asia offering companies a diversified investment platform to raise equity finance on the national and international markets. With this aim on July 7th 2006 the Regional Financial Centre was established in Almaty, former capital and country's largest city, business and financial hub of the region.

The activities of the Regional Financial Centre of Almaty are aimed at developing the region's securities market and ensuring its integration with international capital markets, attracting international investment into the economy of Kazakhstan, and facilitating the investment of Kazakh capital in foreign securities markets.

The Regional Financial Centre of Almaty City provides a special legal regime for registered market participants. The RFCA's special trading floor provides tax benefits and economic incentives to both Kazakhstan and foreign RFCA participants.

The RFCA has an International Advisory Board of local and foreign experts to advise on matters relating to strategy and development of the RFCA.

The Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Center of Almaty City (RFCA) recognises rating issued by the following agencies: Moody's Investors Service, Standard & Poor's and Fitch.

Special Financial court (Commercial court) was established within the RFCA with the support from the City of London.

*Tax benefits for RFCA participants:*

- Exempt from corporate income tax are:
- Execution of securities deals on behalf of and for clients (broker services);
- Nominal holding services;
- Underwriter services;
- Informational, analytical and consulting services;
- Announcement and maintenance of securities prices.
- Exempt from corporate and individual income tax are:
- Stock dividends and bond interest, on securities purchased on the Special Trading Floor;
- Realized capital gains on securities listed on the special Trading Floor, provided such deals were made on the Special Trading Floor.



**London**  
**STOCK EXCHANGE**

On 21 November 2006, during the President Nazarbayev's official visit to the UK, the RFCA and the London Stock Exchange signed a co-operation agreement to formalise

the existing strong ties between the two organizations.

Under the agreement, the Exchange and the RFCA will establish systems for regular meetings between senior executives and agree to exchange information. The agreement will assist in the development of the RFCA and will aim to promote international investor awareness of Kazakhstan and the Central Asian region.



## BANKING AND FINANCING

Left – symbol for national currency Tenge

Kazakh banking is one the economy's fastest growing sectors. To date Kazakhstan has had the most successful financial-sector reforms in the CIS and the creation of the Regional Financial Centre of Almaty was another bold step to further develop this sector.

Since the mid-1990s banks have had to adopt international banking standards, including the risk-weighted 8% capital-adequacy ratio set by the Bank for International Settlements. In addition to raising capital requirements, the National Bank of Kazakhstan (NBK, the central bank) has relicensed smaller institutions as credit unions or credit partnerships. Mergers have also driven consolidation in the sector.

Foreign banks have generally preferred to open representative offices in Kazakhstan, rather than take shares in domestic banks. 37 domestic and foreign banks operate in Kazakhstan as for April 2009.

Kazakhstan was hit hard than most of CIS countries by the global financial crisis. The crisis affected the ability of Kazakh banks to borrow from external markets, and increased their borrowing cost. From the second half of 2007, the volume of credit decreased and the sectors most dependent on loans (construction, small and medium size businesses, trade) suffered from it.

Before year-end 2007, the government has stabilized the currency and introduced liquidity support programmes for the banking sector. Banks have already curtailed lending and tightened lending practices. Beyond the currency stabilization and initial liquidity support programmes, the Kazakhstan government has continued to bolster the financial sector. New support and reforms are being implemented.

In November 2008, the Government of Kazakhstan has adopted 1st Anti Crisis Plan. According to the Plan the government, the National Bank and FSA (Financial Supervision Agency) will undertake coordinated interventions. To finance the Plan, assets of the National Fund in the amount of \$10 bln are used:

- 1) Financial sector stabilization – \$4 bln;
- 2) Real estate sector development – \$3 bln;
- 3) SME support – \$1 bln;
- 4) Agro industrial complex development – \$1 bln;
- 5) Implementation of infrastructural and industrial projects – \$1 bln.

Important measures adopted by Kazakhstan's government to stabilize financial sector included:

- Capital injections into the banking sector totaled \$4 bln, of which:
  - \$1 bln to purchase voting shares in four systematically important banks (Halyk bank, Kazkommertsbank, Alliance Bank and BTA Bank);
  - \$3 bln provided as a subordinated debt through the purchase of privileged non-voting shares.
- New support and reforms. The National Bank has implemented set of further measures aimed to increase liquidity such as the broadening the list of instruments accepted for Repo operations and the reduction in reserve requirements. Also, assets of public companies, joint-stock companies, state enterprises and legal entities in which the government is a shareholder will be deposited with the banking system.
- In November 2008, the government has established a Distressed Asset Fund to restructure bad assets. In 2009, the authorized capital of the Fund will reach \$1 bln by additional injection from the budget.
- Reductions in minimum reserves requirements by over \$3.5 bn.
- Commitment to protect the interests of pension funds depositors and maintain safety of the people's savings in the pension funds.
- A \$42 retail deposit guarantee.

Chronicle of Kazakh banking system bail out:

Among 37 domestic and foreign banks which form Kazakh banking sector, 6 major banks play a critical role in its financial system. These so-called system-forming banks are Kazkommertsbank, Halyk Bank, BTA Bank, Alliance Bank, ATF Bank and Bank Center Credit. The latter two have major foreign shareholders capable of supporting the banks until the recovery of the financial market.

All in all, the above 6 banks have been financing more than 80% of the Kazakh non-oil sector, providing loans to small and medium businesses and holding the savings of the majority of population. That is why the banks are considered to be the main guarantors of stability in financial system and banking sector of Kazakhstan.

- As a result of the world liquidity crisis in 2008 the Government of Kazakhstan implemented a number of projects aimed at increasing the banking stability. A huge effort has been in place ever since to support 6 major system forming banks
- On October 24, 2008, the Government drafted a comprehensive plan to support and further increase their capitalization, maintain financial sustainability and liquidity. Samruk-Kazyna National Welfare Fund initiated additional capitalization for four major banks: BTA Bank Kazkommertsbank, Halyk Bank and Alliance Bank.

The government aid was conditioned to be used for:

- Increasing reserves;

- Increasing own capital;
- Financing SMEs;
- Guaranteeing shareholders' rights to purchase shares back within 4 years.
- On November 28, 2008, Samruk-Kazyna signed the Memorandum of Understanding with the 4 banks. The Memorandum has set the framework for separate agreements with shareholders as well as terms and scope of Samruk-Kazyna's involvement in the banks' capital .
- Kazkommertsbank and Halyk Bank fully complied with their obligations under the Memorandum
- BTA Bank and Alliance Bank situation was somewhat complicated as their major shareholders for different reasons couldn't or failed to fulfill the voluntarily taken obligations on strengthening guarantees of banks' sustainability.
- In these circumstances the Government decided to take BTA Bank and Alliance Bank under its control.
- On February 2, 2009, at the joint meeting of Government, National Bank and Agency for Financial Supervision, the process of BTA and Alliance acquisition was discussed and a joint statement released. By the decision of the Financial Supervision Agency, BTA Board Chairman Mr. Ablyazov and First Deputy Chairman Mr. Zharimbetov were dismissed on the charges of violating the interests of depositors and creditors of the Bank as well as legal violations.
- The same day Samruk-Kazyna Board of Directors under the chairmanship of Prime Minister Karim Massimov decided to buy 78,14% of BTA Bank and 76% of Alliance Bank.
- Government control over these two major banks will ensure their smooth operation; serve the best interests of depositors and creditors as well as national economic and security interests. Most importantly, the Government's role as a guarantor will ensure safety of deposits held in these banks.
- Both banks play an important role in the domestic financial system. BTA Bank itself is a source of more than 7,000 jobs for the economy. Its share on domestic credit market is over 26%, while Alliance Bank has more than 8%. Obviously, the Government could not allow the default of these banks as it could have sent shock waves throughout Kazakh banking and financial system.
- The Government used separate approaches on each bank. Temporary governmental control over both banks has nothing to do with nationalization. According to the current legislation, it was a temporary measure and the Government will immediately sell the shares when the market recovers. Today, Samruk-Kazyna is in talks with potential strategic investors to sell part of its stake in BTA Bank. Preliminary talks are being held with the Russian Saving Bank.
- Government's control over Alliance Bank was initiated by the bank's own shareholders and by today Samruk-Kazyna has transferred to the bank's account more than \$200 mln.



The Government bailout of two banks is in full compliance with Kazakh legislation. It was an inevitable emergency action in given circumstances and does not in any way hinder the Government's long-standing policy of promoting liberal market economy.

### **Financial markets**

The Kazakhstan Stock Exchange (KASE) has been operating since the tenge was introduced in 1993. The Exchange acts as Kazakhstan's universal financial market and comprises the foreign-currency market, the government securities market, the shares and bond market and the derivatives market. The main bond issuer has historically been the government, but in recent years corporations have become increasingly able to tap capital markets, with maturities of seven to nine years.

Due to financial crisis during January-October 2008 listed shares lost their value by 65.4%. Capitalization of domestic stock market reduced from \$97.4 bln in May 2008 to \$34.7 bln in September 2008.

### **Corporate borrowing**

Companies in Kazakhstan are making increasing use of international financial markets, with the banks leading the surge. Although banks were initially the only sector to tap international markets, companies outside banking are now becoming involved as well. The move by industrial firms into the international bond market is only to be expected. The country's oil and gas enterprises need additional finance; high oil prices alone will not generate enough finance to fund the development of new oilfields or the construction of new pipelines.

### **Sovereign borrowing**

The high level of FDI into Kazakhstan and the government's prudent borrowing practices mean that Kazakhstan has a low level of government and government-guaranteed debt. Official debt is generally of long maturity and taken out on favourable terms. The modest debt burden, coupled with rising export revenue, has made Kazakhstan more creditworthy. Kazakhstan has been awarded investment-grade ratings by two international ratings agencies, Standard & Poor's (S&P) and Fitch. S&P also operates a national credit rating scale that provides both debt ratings, which apply to a specific debt instrument, and issuer credit ratings, which apply to a specific obligor.



### **Insurance and other financial services**

The insurance sector is also growing rapidly. Growth in Kazakh insurance market has meant the entry of new players in the market, after an earlier process of consolidation.

The list of instruments available to pension funds has expanded in recent years. The limit on the amount of pension assets that can be held in commercial banks is now 15% of the total; pension funds can invest in foreign government securities up to a rating of BBB, and in foreign mutual funds with ratings above A (the higher the rating, the higher the investment limit—from 10% up to 30% for AAA); and pension funds can also invest up to 5% of their assets in gold and precious metals. The industry is composed mainly of leasing firms that are either fully owned by, or directly linked to, commercial banks.

## TRANSPORT AND COMMUNICATIONS

Kazakhstan's Government has elaborated and approved Strategy of Transport Sector Development of up to 2015; the amount of investments required for construction of respective infrastructure within the 10 years will make up USD 26 billion.

Ultimate goal of the Transport Strategy is to ensure progressive development of transport and communications complex in line with economic strategy of the state.



A sunset at the port of Aktau

The Strategy covers 2006-2015 and is supposed to be implemented in two stages: 1st stage – 2006-2011, 2nd stage – 2011-2015.

The Strategy implementation is expected to ensure bringing of the national transport system to a higher level, and forming of an optimum transport network. Financing of the infrastructure on the self-sufficiency principles will allow accommodating resources for its further sustainable development and maintenance at a high technical level.

Kazakh transport sector is bound to smoothly integrate into the global transport system. Transport infrastructure is supposed to be brought in compliance with the worldwide standards.

All this will enable to sufficiently increase the share of transit traffic, the core of which will be container traffic. Transit traffic will ensure substantial revenues for the central budget and transport companies.

The Strategy covers railways, automobile, in-city passenger, air and water carriage, efficient performance of which to a great extent depends on respective policy pursued by the Government.

The Strategy is intended to facilitate growth of trade ties between the West and the East by means of reliable and accessible transit routes. The Strategy provides for implementation of a customized model of meridian and latitude arrangement of the main routes and connecting legs.

The Strategy provides for modernization of already operating and construction of new "rectifying" routes and infrastructure facilities, with all transport fleets being renewed.

Development of pipelines with due consideration of the O&G sector specificity is being effected within the framework of the State-run Program of Development of the Kazakh Sector of the Caspian Sea and within the Concept of Gas Sector Development up to 2015.

Economic and geographic features of Kazakhstan (its vast territory, land-locked position, uneven spatial distribution of population clusters and of natural resources) make the transport component of the economy one of the most sizeable in the world and determine high dependence of the economy on the transport networks.

Being sandwiched between Europe and Asia, Kazakhstan boasts of a great transit potential, as there is no alternatives for Asian states to link to Russia and Europe.

Relatively diverse landscape and availability of natural stone reserves allow unrestricted development of railways and automobile routes.

Automobile and railways routes account for a major share of the total above-ground transport routes (about 88.4 и 14 thousand km respectively). Total length of navigable waterways makes up 3.9 thousand km, and the total of air routes makes up 61 thousand km. Density per every 1000 km<sup>2</sup> stands at 5,1 km for railways, at 32,4 km for automobile routes with hard surface, and at 1,5 km for in-land navigable waterways.

At the current stage, there is a problem of poor condition of the transport sector fixed assets, obsolete infrastructure and technology.

The share of transportation costs in the final cost of the goods makes up 8% and 11% for in-land railways and automobile traffic respectively, while in industrialized countries these indicators normally make up 4-4,5%. As a result, the transport burden on the economy exceeds that on the major industrialized nations twice on average. By cargo intensity index Kazakh economy is about five times less efficient, as transport component of every 1 USD of GDP makes no less than 9 ton-km, while in EU cargo intensity is less than 1 ton-km/dollar of GDP.

4 international transport corridors cross the territory of Kazakhstan and are formed on the basis of transport infrastructure existing in the country. They are:

- Northern Corridor of Trans-Asian Railway Main (TARM): Western Europe –



- China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai – Sayak – Mointy – Astana – Petropavlovsk (Presnogorskovskaya)).
- Southern Corridor of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash).
  - TRACECA: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau).
  - North-South: Northern Europe – Gulf States via Russia and Iran, with Kazakh participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.

Besides routes included in the transcontinental mains, Central Corridor of TARM should also be mentioned, as it is of great significance for regional transit in the direction Saryagash – Arys – Kandagach – Ozinki.

Corridors help significantly decrease distances in East-West connection, as well as cut down time of cargo delivery.

Robust growth of China's economy, in particularly of its western regions, boosts the demand for deliveries of a large specter of goods to global markets even today.

At the same time, according to experts, current transit in Kazakhstan does not fully employ the potential of the sector and that of the republic in general.

Taking into account their geographical location, Kazakhstan, Russia and other CIS countries are considering the possibilities to attract significant part of all cargo transit between the EU and Asia which is worth more than \$ 600 bln. (according to IMF).

Having attracted a critical mass of investment in a variety of sectors, Kazakh infrastructure will continue to develop at a rapid pace. The transportation sector and telecommunications will need to grow in order to accommodate the needs of other industries. Growth here is likely to attract further investment in other sectors as these infrastructure changes improve the overall business climate. Although Kazakhstan has a basic transportation network and skilled labour force, much investment will be required in the years ahead. Infrastructural investment requirements through 2030 are expected to total more than \$25 billion - and of this, 40% will be needed for railway transportation, 23 % for highways and motor transport, 25 % for telecommunications, and 12 % for the air and water transport systems.

Railway services play significant role in the transport-communication network. It provides up to 70% of cargo and 50% of passenger turnover in the overall transport operations in Kazakhstan. Total mileage of the railways in Kazakhstan exceeds 14 thousands km connecting all regions of Kazakhstan and suitable for international transit transportation. Kazakhstan, located in the centre of Eurasia, possesses the great transit potential with the possibility to increase transit capacity via its infrastructure through 5 international railway transport corridors. The principal among them is Trans Kazakhstan Route project from China to Europe



The first GE Evolution series locomotive built in Kazakhstan

through Kazakhstan, Turkmenistan, Iran and Turkey. One of the advantages of this route is that the width of railroad track will be in line with the international standards that will make unnecessary to change railroad wheels on borders. The length of the Kazakh part of the Route is 3070 km. The realisation of this \$ 4 bln. project will allow to deliver cargo from the ports of China to the port of Rotterdam within 18 days resulting in significant cost savings for cargo transportation from Asia Pacific Region to the Western Europe. The two stage project with 15 years of implementation period is set to convey up to 110 mln tons of cargo a year through Kazakhstan.

New and existing railway lines will strengthen the transit potential of the country. For example, a new route Chromtau-Altynsarino, 402 km, which was finished by the end of 2004 will twice shorten the existing route through the Russian territory for cargo shipments from the West and East Siberia, the Ural region of Russia to the Aktau Seaport and further to Iran and through the North-South transport corridor to the ports of the Indian Ocean. This route will cut the length of the freight transportation route by 2000 km saving 48 hours of shipment time and up to US\$ 18 per ton of cargo. Since the opening of Chromtau-Altynsarino almost 15 mln tons of cargo were transferred with the possibility to increase the volume of transit by 25 mln. tons a year after realisation of the second stage of the project.

Motor transport. Kazakhstan possesses a motor roads network with total length of more than 88,9 thousand km and 13 thousand km of the network have international significance linking the Asian and European motorways. For the last years a great attention was paid to major repair and reconstruction of existing and construction of new roads. Particularly 14,4 thousand km of roads were repaired.

In the past decade, Kazakhstan has become an active participant in world integration processes. An important element of economic integration is a good transport infrastructure, which provides domestic and transit transportation cargo and passengers, with a high level of service.

Current requirements for the quality of roads and roadside service levels set for the road sector with new challenges. Road sector will face new challenges due to the contemporary requirements set for the road and roadside service.

The state Program on development of motor roads for 2006-2012 was approved by the Government of the Republic of Kazakhstan, which was developed on the basis of the Strategic Development Plan for the Republic of Kazakhstan till 2010.

The program is based on the outcomes of the previous state road sector development program for 2001-2005 and the results of the analysis of the current state of the road network of the country. It aims at further development and deepening of technological and economic reforms in the road sector to improve the network of public roads in order to maximize the needs of the population and economy in road transport.

The total amount of financial resources for the implementation of the Program is \$ 8.5 billion.

International transit corridors received their further development. 579 km of highways of national importance (81 km on the highway Astana-Chelyabinsk, 64 km of Taskesken-Bakhty highway, 114 km of Chundzha-Kolzhat highway, 65 km of boarder-Uralsk-Aktobe highway, 16.7 km of Astana South Bypass and 238.8 km of Dossor-Kulsary lands, Opornoye-Beineu and Atyrau-Beineu highways) were launched into in the next expired year. The traffic in all 6 roads on 215 km of Astana-Schuchinsk was opened on October, 2008. Full completion of the project is expected in 2009.

Construction of the new transport corridor West Europe-West China will increase deliveries by trucks almost four times. Deliveries along this corridor are expected to grow from the current 900 thousand tons to 3.5 million tons. The Government supported the idea of financing of the feasibility study for the corridor. Apart from freights from China and Europe, the project will enable to attract transport flows from Central Asia. "The project calls for large investments, its implementation will be financed out of the budget and through external borrowing. At present Government of Kazakhstan in talks with World Bank co-financing of "West Europe-West China" project. The corridor running through Aktobe, Kzylorda and Shymkent will enable to cover not only Russia and China, but also South Asia countries via Uzbekistan and Kyrgyzstan.





Considerable success has been achieved in water transport sector. After rails and roads, water transportation is the third most important element in the Kazakh transportation complex, with both state and private companies operating in this field. The Irtysh River and the Caspian Sea present excellent opportunities in this area.

Kazakhstan is the cargo generating State in the Caspian basin and the main exported cargoes are oil, metal, wheat, etc.

The main transit flow passes via reconstructed Aktau International Sea Commercial Port, which has a capacity for oil shipments up to 8 mln. tons, general and bulk cargo – 1,5 mln. tons, 24 thousand containers per year. The Aktau Port is considered as a strategic junction of one of the routes of TRASEKA corridor (Transport Corridor Europe-Caucasus-Asia) and International Transport Corridor North-South which connects the North Europe with the South Asia and India.

Native shipping fleet represented by the shipping company JSC "NMSC "KazMorTransFlot". The fleet of JSC "NMSC "KazMorTransFlot" consists of 16 ships, including 3 oil tankers with the capacity 12.000 tons, 8 launching barges with the capacity 3.600 tons and 5 tugs.

River navigation is carried out in the basin of Irtysh, Ural, Ily rivers and on Balkhash Lake. In 2004, the construction of Shulba sluice in Eastern Kazakhstan was completed and resulted in reopening of navigation on Irtysh river between China, Kazakhstan and Russian with up to 3 mln. tons cargo transportation capacity.

Air transit corridors of Kazakhstan are attractive for the flights of foreign airlines between Europe and the South-East Asia which allows shorten significantly the flight path. The development of regions, considerably resulted in the increase of needs in regional transportation, as well as the rise of population's income promote growth of necessity in flights to near and far destinations. The extent



of air routes of Kazakhstan is 54 thousand km, including international routes – 49 thousand km. There are 22 airports in Kazakhstan for air services including the Astana and Almaty international airports and 14 airports provide services to international transportation on a short-term basis. Recently two new international terminals in Astana and Almaty were put into operation. Modernization of radio and air-navigation equipment enabled to increase the number of international air corridors up to 72. Transit traffic via the airspace of Kazakhstan is carried out by 18 countries of Europe, Russia, South-East and Central Asia. 66 airlines operate in Kazakhstan, including Lufthansa, KLM, British Airways, Turkish Airlines and others. Kazakhstan itself is very convenient for international flight connections between West and East. 729 aircrafts (620 aircrafts and 109 helicopters) were registered in the State register of civil aircraft of the Republic of Kazakhstan.

During the past years Kazakhstan intensifies its activity in airspace. The creation of high technological industries in airspace in cooperation with Russia resulted in realisation of joint space programs and projects which were specified as a top priority of the Strategy on Industrial and Innovation Development of Kazakhstan until 2015. The agreement on development of cooperation on effective use of “Baikonur” space centre and creation of “Baiterek” rocket-space complex was signed with Russia. Great importance was given to construction of the first Kazakh geostationary communication satellite.

Telecommunications. Telecommunications is a leading sector and continues to be one of the most promising areas for foreign investment. An upgrade to the Honeycomb communication service (AMPS standard) is under way in 10 regional centres; trunk communications are developed; personal pager services are expanding in 12 cities and towns; and Internet and telefax are available. In 2001 and 2002, Kazakhstan opened two Internet Data Centres (IDC) in Astana and Pavlodar for 10,000 users each. The IDCs are a cooperative venture between Kazakhtelecom and Lockheed Martin Telecommunications - and the first of their kind in the former Soviet Union.

At present, Kazakhtelecom, a National Joint Stock Company, provides local and international telecommunications services. As the national operator and owner of a network of general-use telecommunications facilities, it offers a range of communications and includes all oblast and urban telecommunication enterprises, as well as 12 large enterprises, such as the National Telegraph, Almaty Broadcasting Station, the National Trunk Line, and others.

Under the implementation of the development of the telecommunications industry of Kazakhstan for 2006-2008, activities for the development of the telecommunications industry led to reach following results: the density of fixed telephone lines - 20.8 per 100 citizens, the density of cellular subscribers – 87 per 100 citizens, internet users – 11 per 100 citizens.

The transportation infrastructure in Kazakhstan consists of an ever-expanding web of pipelines, railways, aerial routes, water transport routes, highways, and

mail routes, rapidly crossing Central Asia for the betterment of citizens, business partners, and travellers alike. The dispersion of natural resources and centres of economic activity make the transport sector a most important one for the well being of the national economy, particularly in order to spur investment in Kazakh promising agricultural sector and regional markets. In an effort to create favourable conditions for foreign and domestic investors, goal-oriented and consistent investment policies are pursued within the transport sector with strong incentives for the attraction of direct investment in all areas of infrastructure and communication complex. The Government is providing strong incentives for the attraction of direct investment in all areas of infrastructure, as infrastructure has become a top priority. A competitive environment exists today, is being fostered further, and with some exceptions, monopolies are restricted in order to encourage an open and efficient transportation and communication services market.

Sources of funding.

As virtually all transportation services will be rendered by private enterprises, these enterprises will be covering their exploitation and capital expenditures out of their own funds.

As for passenger railway transportation, special mechanisms of funding that have been developed in the framework of the Program of Railway Transport Reconstruction for 2004-2006, will be applied.

Main network of motor and rail ways, as well as internal shipping infrastructure will remain in government ownership. Terminals will be gradually passed into private ownership.

System of air navigation will be made as much self-supporting as possible through navigation fees collected at airports and route navigation fees. Air terminals will be owned by airports and funded from terminal fees. Main airports will be passed into private sector that will be responsible for maintenance and renewal of infrastructure funded from take-off/landing fees in the airports.

Largely, private sector will also be responsible for construction and maintenance of terminals at sea ports. State will be responsible for sea infrastructure of public use.

Fees for usage of automobile routes will be charged at the spot.

Participation of private sector in different segments of transportation sector will be promoted, including conclusion of long-term concession agreements under which infrastructure in the final end is returned back to the state.

Besides state funding of transport infrastructure units, institutes of development (such Bank for Kazakhstan Development, Innovation Fund), other domestic and foreign financial institutions (EBRD, ADB, World Bank, IDB and others) are going to be attracted. Creation of favourable climate for development of private industry will be achieved through rendering tax allowances and preferences stimulating renewal of fixed assets. So, the projects will be funded from budgets of all levels, through attraction of investments and on commercial basis: through state-private partnerships, concessions, creation of joint ventures.

## TRANSPORTATION COMPANIES



[www.airastana.com](http://www.airastana.com)



[www.kazautotrans.kz](http://www.kazautotrans.kz)



**ПОРТ АҚТАУ**

[www.portaktau.kz](http://www.portaktau.kz)



[www.ans.kz](http://www.ans.kz)



[www.kmtf.kz](http://www.kmtf.kz)



[www.airport.karaganda.kz](http://www.airport.karaganda.kz)



**ALMATY INTERNATIONAL AIRPORT**

[www.alairport.kz](http://www.alairport.kz)



[www.kazato.kz](http://www.kazato.kz)



[www.airserver.kz](http://www.airserver.kz)



[www.astanaairport.kz](http://www.astanaairport.kz)



[www.railways.kz](http://www.railways.kz)

## MINING AND SMELTING INDUSTRY IN KAZAKHSTAN

Mining and smelting system (MSS), a basic sector of the economy of Kazakhstan, has traditionally been the basis for the economy. About 90% of all MSS products are exported to above 30 countries making 35% of the total exports of the country. Mineral resources produced in Kazakhstan contain 76 elements of Mendeleev's table. The reserves of the country are rated 4th in the world in copper, 6th in zinc, 7th in cobalt and cadmium, 8th in gold. Copper ores processing plants, plants producing beryllium and tantalum are biggest in the world, the richest deposits of polymetal and iron/manganese ores are located in Kazakhstan.

The Republic of Kazakhstan is one of the world's best-endowed states, possessing world-class deposits of minerals and raw materials. Vast quantities of base and precious metals have been discovered, with countless others waiting for discovery and development. Kazakhstan is the ultimate mining and metallurgical country producing 25 different kinds of ferrous, non-ferrous and precious metals. Some 233 mining enterprises produce a wide variety of commodities: coal, iron ore, chromites ores and ferroalloys, alumina, copper, lead, zinc, steel, titanium sponge, uranium, barites and others.

In general, about \$55 bn has been invested in the mining sector over the past decade, of which 15% was in prospecting. The bulk of this was spent on developing natural resources. According to forecasts for 2006-2010, investment in the raw material sector is expected to exceed \$48bn, and reach about \$52bn in 2010-2015.

Mining activities are currently being carried out at 2,000 mines in Kazakhstan, which consists of prospecting at 132 mines (7%), extraction at 1,213 (61%) and both activities at 641 (32%).

In the Mining Industry, except for production of fuel-energy mineral resources volume index was 100.1%, production volume – 522.57 bn. in 2008.

### Precious Metals

**Gold.** Kazakh territory is a major auriferous province. In terms of gold reserves (4% of world deposits), the country occupies seventh place after South Africa, the USA, Australia, China, Russia, Canada and Indonesia, whereas in terms of output Kazakhstan is only among the top 20 countries. Gold reserves are concentrated in 260 deposits in our country (40% in sulphide ore and 60% in gold ore). The Vasilkovskoye Zoloto joint venture, the Bakyrchik mining enterprise, the Kazakhmys Corporation, Kazzinc and the Kazakhaltyn mining company have large gold reserves (together accounting for 52% of the country's total reserves). Gold is being mined at 199 deposits.

A total of 71 companies are operating in the sector: 48 local, 18 foreign and five joint ventures. These companies have invested about \$1bn over the past decade (82% in extraction).



Most extraction (about a half) comes from composite sulphide deposits developed by Kazzinc and the Kazakhmys Corporation. A further 40% is extracted by Vasilkovskoye Zoloto, Altylnalmas, Kazakhaltyn, Yubileynoye, Andas-Altyn, Altyn-Tobe and Dank companies which are developing their own gold deposits.

These companies have gold reserves that will last between 10 and 80 years. These resources can be increased through placer deposits, mineralised formations and secondary quartzite that have a quite high concentration of gold in ore. Developing hard and complex ore will also increase the ore base. As a result, according to forecasts, Kazakhstan will become a leading gold producer by 2015.

**Silver.** Silver reserves are discovered in 100 deposits of which 60% are copper-lead-zinc deposits. Silver production is concentrated on affiliated companies of Kazakhmys i.e. Zhezkazganzvetmet and Balkhashzvetmet. In 2007, Kazakhstan produced 591 ton of silver, up 88,1% from the year 2006.

#### Nonferrous Metals

**Copper.** In terms of proven copper reserves Kazakhstan occupies fourth place in the world's reserves (5,5% of world deposits), behind Chile, Indonesia and the USA. The state register records 93 copper deposits, half of which are being developed. The major enterprises operating in the sector are the Kazakhmys Corporation, Kazzinc, Aktubinsk Cooper Company, Maikainzoloto (in total, there are nine companies, including two foreign).

During the past decade, over \$1.7bn was invested in the sector; 99% of this was into extraction. Kazakhstan will be among the world's top 10 copper producers by 2015. The sector has reserves to last from 20 to 30 years. An additional source that will strengthen the raw material base are a number of sulphide, polymetal and copper disseminated deposits and cupriferous sandstone.

Kazakh export of copper concentrate varies between 100-200 thousand tons per year. Main export markets are China, Russia and Uzbekistan.

**Lead, zinc.** In terms of proven zinc (9,5% of world deposits) and lead (10% of world deposits) reserves Kazakhstan occupies fourth place (behind Australia, the USA and Russia) and sixth place (behind Russia, Australia, Canada, the USA and China), respectively. The state register records 85 lead deposits and 79 zinc deposits. The mining of polymetals is being carried out at 32 deposits, consisting of extraction at twenty (63%), prospecting and extraction at nine (28%) and prospecting at three (9%). The main raw material base is composite sulphide and polymetal deposits in Rudnyy Altay, which produces over two-thirds of the country's total lead and zinc outputs. Deposits are developed using underground methods. The main enterprise in the sector is Kazzinc. Kazakhmys is involved in collateral production and accounts for a third of the total lead and zinc ore outputs. In total, there are 14 enterprises operating in this sector (11 local, 2 foreign and 1 joint venture) and they enable Kazakhstan to occupy sixth place in the world in terms of lead and zinc production. A new zinc production plan with capacity of 30 thousand tons per year has been built by "Uzhpolyimetal". Another plant with production capacity of 100 thousand tons is under construction by metallurgical company "Shalkiya".



Kazakhstan's metallurgy is especially developed in non-ferrous and rare-earth metals

Over the past decade, about \$2.5 bn was invested in the sector. Investment grew three-fold to \$463 million in 2005-06 from 1996 volumes. Almost 100% of this was spent on extraction. Kazzinc accounted for 62% of the total investment and Kazakhmys accounted for 25%.

The sector has reserves to last about 25 years. Replenishing reserves is a topical issue at the moment. The prospects for developing the raw material base in this sector depend on discovering new high-quality deposits, developing major deposits with complex and poor ores and reprocessing scrap metal.

85-88% of zinc production is exported with main destinations as Netherlands, Turkey, Italy, Ukraine and China.

**Aluminium (bauxite).** In terms of proven bauxite reserves, Kazakhstan occupies tenth place behind Guinea, Australia, Jamaica, Brazil, India, China, Guyana, Suriname and Venezuela. The state register lists 20 bauxite mines. Aluminium of Kazakhstan, which includes the Pavlodar Aluminium Plant and the Krasnooktyabrski and Torgay bauxite mining departments, accounts for the entire bauxite and marketable aluminium outputs.

Investment in mining bauxite totalled \$394 million in the past decade. Almost all the funds came from Aluminium of Kazakhstan. Kazakhstan is currently producing 4.5 million ton of bauxite a year, and this figure is expected to grow to 5 million ton by 2010.

The sector has sufficient reserves to last about 50 years. Adopting a new technological line at the Pavlodar Aluminium Plant has created conditions to produce alumina from low-quality bauxite which makes it possible to increase the raw material base of the sector from the existing deposits. Technology to extract gallium, aluminium sulphate and sodium-sulphate mixture has been improved to boost the deposits' productivity.

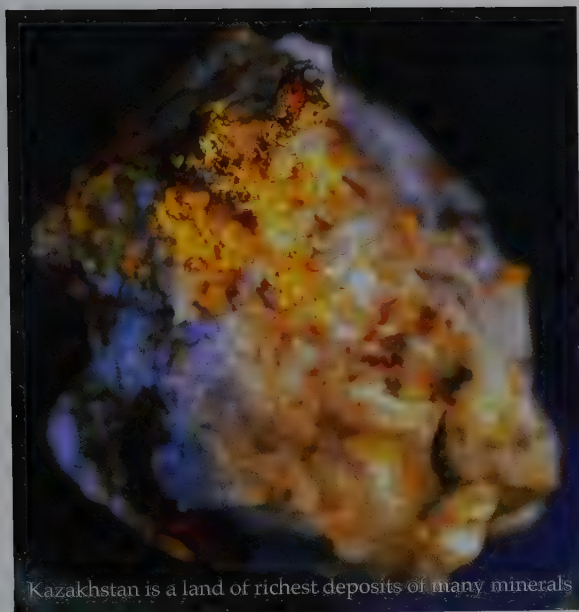
Kazakhstan does not yet produce metallic aluminium because the main consumers of our raw material are Russian enterprises. However, in 2007 our country started to build its own plant to produce primary aluminium with capacity of 250 thousand tons per year. Two more plants are under construction.

**Nickel, cobalt.** In terms of nickel and cobalt reserves Kazakhstan occupies twelfth and seventh places in the world, respectively. The state register records 39 nickel deposits and 55 cobalt deposits. Kazakhstanskiy Nikel, Kyzyl Kain Mamyt and the Sokolov-Sarbay Ore-enrichment Production Association own major deposits. Five companies, two foreign and three local, are operating in the sector.

They invested over \$1bn in the sector during the past decade, 63% in extraction. The annual volume of investment grew four-fold over this period and totalled \$8.6m (2005).

Almost the entire Kazakh nickel output is exported. Taking into account that the sector has reserves for many years and the growing world demand for nickel, intensifying extraction and enriching and processing nickel ore are topical issues for Kazakhstan.





### Ferrous Metals

**Iron, manganese.** In terms of proven iron reserves Kazakhstan occupies sixth place in the world (behind Russia, Australia, Ukraine, China and Brazil) and fourth place (behind South Africa, Ukraine and Gabon) in terms of manganese. The iron and manganese sector is a major sector in the country's raw material industry. The state register records 47 iron deposits and 31 manganese deposits. Orken, the Sokolov-Sarbay Ore-enrichment Production Association, the Zhayrem Ore-enrichment Combine and the Kazkhrom transnational company have largest raw material bases (accounting for 98% of the entire industrial reserves). Mining iron and manganese is being carried out at 32 deposits, with prospecting at seven (22%), extraction at 10 (31%) and both activities at 15 (47%). There are 23 companies operating in the sector, of which 3 are foreign and 20 are local.

They invested \$1.7bn in the sector over the past decade – almost all of it went to extraction. Kazakhstan is expected to produce 55-60 million tn of iron ore and 4-5 million tn of manganese ore in 2010 and 80 million tn and 7 million tn, respectively, in 2015. The current output levels provide the enterprises with reserves for over 80 years in terms of iron ore and over 100 years in terms of manganese ore. This is enough not only to fully satisfy the demands of domestic ferrous metallurgy, but also to allow for efficient export activities.

**Chromium.** In terms of proven chromium reserves our country is an unconditional leader – Kazakhstan has a third of the world's chromium reserves. The raw material base of the local chromium sector is the most qualitative and competitive sector. The state register lists 23 deposits with almost all industrial



reserves owned by the transnational company, Kazkhrom. Mining is being carried out at nine deposits owned by Kazkhrom and one by Voskhod-Oriel. The sector attracted investments totalling \$1,092.7m in the past decade. The Our country is currently producing about 4 million tn of chromium ore and this figure is expected to grow to 7 million tn in 2010 and 9 million tn by 2015.

The chromium reserves are enough to last for over 90 years. The raw material base covers both domestic consumption and the country's export potential. In addition to investing in developing fuel and energy resources, precious, non-ferrous and ferrous metals, investment is being made in mining precious stones (diamonds and emeralds), rare metals (for example, tungsten and molybdenum) and other natural resources (including widespread ones), underground waters and mud used in medical treatment.

The investment activities of mining companies have had and are continuing to have a positive impact on the country's socioeconomic development. Mining companies spent \$63.4m on training and education and \$195.8m on the social sphere. The share of companies with foreign involvement in the total amount of investment was 16% a decade ago, whereas this figure stood at 76% last year.

Subcontracting was worth \$7,731.4m in 2005 and grew almost 30-fold from 1997. Subcontracting accounted for only 9% of the total investment in 1997, whereas this figure was 61% in 2005. In addition, the share of services and goods supplied by Kazakh companies has also grown by type of activity: to 34% in supplying services, to 56% in supplying goods, to 29% in supplying equipment, to 35% in construction services and to 23% in other types of activities,

Between 1996 and 2005, the country's budget received over \$16.5bn in taxes and payments by mining companies, including over \$3.5bn in royalties. The budget payments grew by 19-fold to \$5.8bn in 2005 from 1996, including royalties to \$1.3bn.



## AGRICULTURAL SECTOR

Kazakhstan is rich in land resources; more than 74% of the country's territory is suitable for agricultural production, representing 5.5% of GDP and employing over 20% of the labour force with 43% of population living the rural area. Although Kazakh vast territory ranges from forest-steppes and steppes to half-deserted and deserted zones, the natural and climatic conditions in Kazakhstan are highly favourable to growing a wide variety of crops. It is expected that in 6-7 years the agricultural development in Kazakhstan may reach the level of Eastern European countries. Meanwhile the Agro-Industrial Complex of Kazakhstan still suffers from a number of problems which affect its productivity and profitability. According to the World Bank, currently Kazakh labour efficiency in agriculture five times lower than in Eastern Europe, even lower than in Russia and Ukraine. In order to reach the European level it is also necessary to enhance production and competitive ability of the national producers. It is also necessary to implement international quality standards, including switching to modern technologies, thus the Kazakh producers will be ready for accession to the WTO.

At five times the size of France, it is no great surprise that Kazakhstan is one of the world's largest grain producers and exporters. The main grain crop is milling wheat, which is typically high in quality and protein. There is a growing trend for Kazakhstan to export its grain to other international markets, apart from its traditional market in the CIS.

In 2008, the annual production of agricultural products is estimated at \$8.6 bln., the share of agricultural production in the country's GDP about 6%. State support for agriculture sector in 2008 exceeded the level in 2007 in 1.7 times, including grants – 2 times, loans – 2.2 times. Crop acreage of small grains in 2008 in comparison with 2007 increased on 778.4 thous. ha. (5.1%), including wheat - 603.7 thous. ha. (4.7%), barley – 251.5 thous. ha (13.5%), grain maize – 5.8 ha (6.3%), winter ruttishness – 4.0 ha (7.6%). Whole yield of grain in 2008 in weight after processing was about 15.6 mln. tons. In general, this volume allows for intestinal necessity of the country until new crop and the export potential up to 5.5-6.0 mln.tons.

In 2008, Kazakhstan produced 16.6 million tons of grain, exporting around 6 mln. tons. Other food crops include barley, maize, rice, potatoes, soybeans, and sugar beets, cotton, tobacco, sunflower, flax, soybean, and mustard. Cotton is the most important industrial crop grown on the irrigated soils of southern Kazakhstan. Orchards and vineyards are widespread. The rich soil and climate provide ideal conditions for growing wheat, barley, rice, corn, millet and buckwheat.

In 2009, 21 million tons were collected in Kazakhstan - overtaking the previous record of 20.1 million tons set in 2007. 2009 saw the planted area under grain crops in Kazakhstan increase to 21,9 million hectares (14,7 million hectares under





wheat) - 1,9 million hectares more than last year. Kazakh Ministry of Agriculture has set the task of bringing annual average grain production to 25 million tons within the next 4-5 years and joining the club of top five grain exporters in the world.

For a country with a long nomadic history, it is not surprising that stockbreeding is the traditional and dominant agricultural sector. No less than three quarters of all agricultural land is used for grazing. Sheep breeding is predominant, while cattle breeding and growing of pigs, horses and camels are also well developed. Animal husbandry typically accounts for about 45% of the production value in agriculture in Kazakhstan. Primary meat products include beef, veal, chicken, horse, lamb, pork and rabbit. The livestock sector is gradually growing. Output of meat rose by 4.3% during 2008, egg production went up by 12.2% and milk output by 2.5%. Similarly, herd sizes are recovering after a period in the 1990s in which livestock were being slaughtered for meat but not replaced. As of January 1st, 2009 in comparison with last year the number of head of cattle has increased by 2,9 %, sheep and goats – on 5,3 %, horses – on 5,8 %, camels – on 3,1 %, birds – on 4,0 %.

It is worth to mention that growth of the food processing industry is triggered by increase of investments. Since 2002 the volume of capital investments reached \$1 bln. Modern technologies were brought to Kazakhstan from different countries like Finland, Germany, Italy and others. In order to support this industry the government is implementing several programs of development aimed to improve technical and technological modernisation as well as promotion of entrepreneurship and competitiveness of the Kazakh products on the international market.

#### State-Run Program of Rural Territories Development

Solutions to the acute problems of rural territories were defined as priorities in the strategic course taken by the Kazakhstan Government for 2003-2005.

Presidential Decree as of July 10, 2003 approved the State-run Program of Rural Territories Development for 2004-2010. Against the background of overall economic growth, disproportions in the income levels of urban and rural population have been growing; regional income differences have also become considerable. 43% of the population of the country lives in rural areas, third of it has income below subsistence level. Further in attendance to this condition would intensify income differentiation, would have a negative impact on social-political atmosphere of the society, and would be reflected on the indicators of human development and investment image of the country.

Taking into consideration development of agro-production sector and growth of revenues coming from agriculture, current excess of rural population is one of the reasons behind hindered growth of the population's living standards, and it has become a serious issue in planning of sustainable development of the country.



Problem is furthermore intensified by irrational schemes of settling, preserved from the times of planned economy; as a result of that, investment of funds directed at development of the social infrastructure of rural areas remains ineffective in the course of investment programs implementation, while migration processes still have spontaneous and unmanageable character.

The major objective of the State program of development of rural territories is to ensure adequate life support to rural territories, based on optimization of rural population's spatial distribution.

To hit the targets set by the Program, responsible agencies are supposed to take the following steps:

- analyze the current situation/define major indicators of socio-economic development through certification of rural settlements;
- work out primary measures to encourage economic activities, including investments into construction and rehabilitation of engineering infrastructure;
- fine-tune monitoring of socio-economic development of rural settlements and of ecological safety of arable lands, enhance the land resources appraisal system;
- work out and implement programs to stimulate migration of rural population;
- work out a model of effective rural population's spatial distribution and take measures to implement the model.

The scale and novelty of the issues attended to within the Program, the need for coordination of the planned measures with capacities of the central and local budgets call forth for two-staged implementation of the Program.

With the first stage accomplished in 2006, the second stage (2007-2010) provides for evaluation of potential capacity of every rural settlement; implementation of measures is expected to optimize rural population's spatial distribution, ensure high living standards of rural population, and lay solid foundation for sustainable development of rural territories.

Elaboration of the Program was called forth by the need for measures that could ensure effective development of rural territories, and the need for optimum schemes of spatial distribution of rural population with a view of concentrating resources in economically viable regions, where satisfactory income level could be maintained.

Thus, one of the main targets of the Program is elaboration of an effective model of spatial distribution of rural population and its further implementation. Regulation of migration flows is a core component of the Program of Rural Territories Development.

An important point is that the Program will contribute to adaptation of rural population to liberal market reforms.

The program is bound to boost economic growth in the agrarian sector and facilitate jobs creation in rural settlements of medium and high potential for development.

The Program provides for evaluation of agricultural organizations' demand for manpower for the following several years.

As a result of the Program implementation, income level in rural territories is bound to rise through upsurge of small business initiatives of rural population and widened scope of activities; internal migration will be encouraged and regulated.

By late 2006, the optimum model of spatial distribution with consideration of climate zones and location of factors of production was finalized; the model is to be fully adopted by late 2010. Main areas of the development which will require significant amount of investment as well as western best practice in the development of rural area:

1. Encouragement of creation of large scale processing units
2. Encouragement of investment in agriculture
3. Introduction of new technologies to agro business
4. Further development of production infrastructure in rural areas
5. Rational nature management
6. Further development of social entrepreneurial corporations
7. Development of motor roads in the rural area
8. Providing the rural area with qualitative drinking water
9. Poverty reduction
10. Development of healthcare and education in the rural area



## **NATIONAL HOLDING “KAZAGRO”**

### **Contacts:**

Chairman of the Board Mr. Asylzhan Mamytbekov  
Astana, 36 Kenesary Str., office No 605 PO 010000  
Tel./Fax: (7 7172) 555 973, 391 696 email: kazagro07@mail.ru  
<http://www.nhkazagro.kz>

### **Purpose:**

Stimulation of agro industry development by effective management of agrarian joint-stock companies.

### **Basis principles of activity:**

- compliance with priorities of agricultural policy;
- concentration and directing investments to solving priority tasks of the agro industrial complex;
- improving economic effectiveness of the companies' activity;
- application of innovative international experience in the sphere of corporate management.

Functions:

- elaborate strategic plans for development, mid-term plans for the Companies' financial activity, investment programs and the budget of the year;
  - ensuring achievement of purposes, including maximization of the Companies' financial results;
  - participation in realization of financial and administrative management of the companies' projects;
  - assistance in attraction of external and internal investments;
  - development and monitoring indicators of the companies' activity efficiency;
  - taking correcting measures in case of the companies' failure in achieving their purposes and efficiency parameters;
  - introduction of international principles of corporate management;
  - selection and motivation of the Companies' top managers;
- Companies of "KazAgro" National Holding:

- JSC "Food Contract Corporation"
- JSC "KazAgroFinance"
- JSC "Agrarian Credit Corporation"
- JSC "Mal Onimderi Corporation"
- JSC "Foundation for financial support of agriculture"
- JSC "Kazagromarketing"
- JSC "KazAgroGarant"



## KAZAGROINNOVATION

Contacts:

President of "Kazagroinnovation" Mr. Toleutai Rakhimbekov

010000 Astana, 73 Beibitshilik Str.

Tel.: (7 7172) 29 11 22, 39 59 49

Fax: (7 7172) 29 11 99

e-mail: kaimsh@mail.kz

Mission of the company:

- to ensure scientific and technological development of agro industry
- commercialization of new agro technologies
- transfer of foreign advanced technologies in agriculture

## HOW TRADE ACTIVITY IS REGULATED IN KAZAKHSTAN

Trade growth is a primary component of Kazakh successful development. There are new players in the market, and the extension of trade with Kazakhstan is becoming a priority direction for an increasing number of foreign companies. This is an overview of the main regulatory mechanisms for trade in imported goods on the territory of Kazakhstan. The main requirements of customs and currency control, licensing, certification and the introduction of other protective measures undertaken with regard to goods imported to Kazakhstan are described in detail. Organizational and legal forms for carrying out trade activity are considered.

It should be noted that the legislative requirements considered in this article are applicable only to those organizations that carry out trade activity directly on the territory of Kazakhstan. In case the purchase and sale agreement is fulfilled outside of Kazakhstan, compliance with the requirements on customs clearance, licensing, certification, etc. becomes the obligation of the purchaser. Accordingly, all risks associated with these procedures as well as the obligation to make payments as envisaged by the law are incurred by the purchaser.

### Organizational and Legal Form of the Trade Enterprise

In case a foreign company intends to sell goods to Kazakhstan consumers abroad and plans to start trade activity in Kazakhstan, the company shall choose the organizational and legal form of an enterprise carrying out such activity in Kazakhstan. With regard to the possibility to conduct entrepreneurial activity, the law does not distinguish between resident and non resident legal entities. Therefore, a foreign company may carry out activity in Kazakhstan in the form of a Kazakhstan legal entity, with charter capital fully established by a foreign company, in the form of a joint venture, or through the establishment of a branch.

### Tariff Regulatory Measures of the Foreign Economic Activity

From the moment that goods are conveyed across the customs border of Kazakhstan, they fall within the scope of the legally established rules on conveyance and customs clearance, i.e. the tariff regulatory measures. These rules are established by the RK Customs Code. The customs legislation envisages 17 types of customs regimes. The customs payments depend on chosen customs regime and include customs duties, customs fees and payment for a preliminary decision.

In order to pass customs clearance, the customs value of the goods must be determined. There are several methods that have been established in order



to determine the customs value: transaction value of imported goods method; transaction value of identical goods method; transaction value of similar goods method; deduction of costs method; composition of costs method; and the reserve method.

The method based on the transaction value of the imported goods is the method most commonly used. If this method can not be applied, then other methods are applied consecutively.

The declaring person independently determines the customs value of the goods, and the customs authority controls the correctness of such determination. At the same time the customs authority is entitled to correct the customs value depending on their information regarding the price of goods.

Below described the customs regimes most often used when goods are imported.

Regime of release of goods for free circulation envisages that the goods imported to Kazakhstan shall be used and consumed in Kazakhstan. The person importing the goods has to pay customs duties and taxes, comply with non-tariff regulatory measures (licensing, certification, etc.) and conduct full customs clearance. Under the regime of processing goods for free circulation, foreign goods undergo processing on customs territory under customs control without payment of customs duties or taxes and without non-tariff regulatory measures being applied. This regime is completed with the placement of the processed products under the customs regime for release for free circulation.

Free customs zone regime envisages that goods placed and used within the relevant territorial special economic zones are exempt from customs duties and taxes, except for excise tax on imported goods, and from non-tariff regulatory measures being applied to them, except for safety requirements. This category of goods consists of the articles included in a list composed specifically for the purpose of the creation of special economic zones. For example, the Decree of the President "On the creation of the 'Ontustik' special economic zone" contains the list of goods including vehicles, equipment and goods necessary to conduct construction work on the territory of the economic zone, as well as goods and materials necessary to conduct scientific and development work.

Kazakhstan grants tariff preferences to certain countries either in the form of release from or reduction of the rates of customs duties, or in the form of quotas provision for the preferential import of goods. Customs duties are not collected when goods are imported from countries which are members of the customs union or free trade area with. When goods are imported from the countries indicated in the list specifically established by the Government, reduced rates of customs duties are applied. Decisions on granting tariff preferences are made by the Government.

The law envisages that the customs value is determined by the declaring person, however, the final decision concerning accuracy of methodology application on customs value determination is made by the customs agency.

In order to avoid delays in customs clearance declarants should carefully review all requirements with regard to the list and contents of the documents to be submitted. It is possible to request a preliminary decision of the customs authorities on classification of goods and to undergo preliminary and periodic declaration of goods.

### Currency Regulation

The main aim of currency regulation on the import of goods is the legal and well-founded use of funds in foreign currency and Tenge for the purposes of import. The basis for currency control is established in the Law "On Currency Regulation and Currency Control" and the Rules on Export and Import Control in the Republic of Kazakhstan. The system of currency control envisages preparation of the transaction passport by means of which the National Bank of RK, importer's bank are able to track the compliance of the importer with the currency legislation. For the purposes of currency control, the importer means a resident of the Republic of Kazakhstan (legal entity, branch, individual entrepreneur) who has concluded a contract on acquisition and import of goods to the customs territory of Kazakhstan.

A transaction passport is necessary if:

- Contract value exceeds the equivalent of ten thousand (\$10,000) US dollars:
  - upon conveying goods across the customs border of Kazakhstan, according to the purchase and sale contracts;
  - upon release of goods for free circulation in connection with transfer of the ownership for goods from non-resident to resident provided that previously such goods were placed under a different customs regime than the release for free circulation regime.
- Goods are conveyed across the border within the release for free circulation regime under the contracts for rendering services and value of goods exceeds the equivalent of ten thousand (\$10,000) US dollars as of the date of conclusion of the contract.

*The transaction passport for import of goods is not required:*

- under contracts which envisage that payment of goods is made at the expense of state foreign loans or foreign loans secured by the guarantee of the state;
- under contracts which do not envisage conveying goods across the customs border of the republic and which accordingly do not require customs clearance;
- under contracts and invoices with the sum not exceeding the equivalent of ten thousand (\$10,000) US dollars, provided that the banks and customs authorities exercise control over such operations of the importers;
- upon conveying goods under the agreements of gratuitous character which do not require counter execution of the obligations.

Transaction passport is registered at a commercial bank on basis of the contract. After registration of the transaction passport at the bank, the importer submits a

copy of the registered transaction passport to the customs agency when passing customs clearance. The payments for the purpose of import can be made only after the bank registers the transaction passport.

A contract for the import of goods is required to contain an indication regarding the timing of fulfillment of the obligations by non-residents. In case of non-delivery or only partial delivery of goods under the contract envisaging conveying goods across the customs border within the time period established by contract, the importer be subject to administrative liability.

Thus, it is the importer who shall comply with the requirements of currency legislation. The obligations on fulfillment of these requirements will be distributed depending on the status of the company and its involvement in the transaction (either as importer -a Kazakhstan legal entity -or as the seller of goods – a non-resident).

### Non-Tariff Regulatory Measures

Apart from payment of the customs payments, the import of goods is also subject to the non-tariff regulatory measures, including licensing, quotas, certification, and other protective measures established by law.

### Licensing

The main purpose for the licensing of imported goods is regulating import of certain categories of goods in order to protect the internal market as well as to protect national security and public order. Issue of licensing of import and export is regulated by several normative legal acts including the Law “On Licensing” and Rules on Licensing Export and Import of Goods. Licensing does not mean any quantitative restrictions with regard to import. Not all goods must be licensed, only those which are included into the special list prepared by the Government. The list includes such goods as pesticides, equipment with use of radioactive substances, cryptographic equipment, industrial wastes, etc.

Obtaining the license is a mandatory procedure for every imported category of goods, falling within the established list regardless of whether such goods are imported by a legal entity registered in Kazakhstan or a foreign legal entity (or its structural subdivision). In order to obtain the license, an applicant needs to submit the documents regulated by the legislative acts to the authorized agency.

The license issued for the purpose of export and import operations for one transaction is valid for one transaction. Such license is issued to the applicant for the period of up to one calendar year and for one category of goods regardless on number of names of goods included into the contract. The term of validity of such license may be prolonged upon request of the applicant for the period not more than one calendar year. The license is issued within one month from the moment of

submission of all necessary documents. In case of non-fulfillment by the licensee of the requirements established by the license the licensor may suspend the license for the period of up to six months. If the licensee does not remedy the defects which caused suspension of the license the license can be revoked by the decision of the court.

### Certification of Compliance with Technical regulations and Standards

The legislative framework on technical regulation, standardization, certification and accreditation in Kazakhstan is based on Law No. 603-II "On Technical Regulation" of 9 November 2004. The two main objectives of the Law is (i) to ensure the safety of products through the application of mandatory technical regulations; and (ii) to enhance product competitiveness through the application of voluntary standards.

Conformity recognition is a process that determines whether products and processes conform to technical regulations or standards. Conformity recognitions can be (i) mandatory – by a certification of an accredited certification body (a conformity certificate is issued) or a producer's declaration of conformity (for products subject to technical regulation requirements); and (ii) voluntary – by a certification or a conformity declaration of the producer/seller indicating that the requirements of standards, other documents or special requirements were met (for products not subject to mandatory conformity recognition).

A conformity declaration can be prepared on the basis of evidence collected by the applicant alone or on the basis of evidence obtained with the participation of a conformity assessment organization. The declaration of conformity is to be registered with the relevant accredited conformity recognition organization and is valid – similarly to a conformity certificate – on the entire territory of Kazakhstan. Currently, mandatory certification is applied to 23 product groups while conformity recognition by declaration is applicable to 8 product groups.

Any domestic or foreign organization can act as a conformity assessment organization or a test laboratory as long as it has received accreditation in accordance with established rules.

Foreign conformity certificates, test protocols, accreditation certificates, and other documents issued by foreign accreditation bodies are recognized in accordance with mutual recognition agreements. In the absence of international mutual recognition agreements, test results issued by foreign authorized bodies will only be recognized through the accreditation of these foreign bodies in Kazakh national accreditation system

Kazakhstan has concluded a number of international agreements under which the conformity certificates of some foreign states are recognized on the territory of Kazakhstan. Recognition of the foreign states' certificates is carried out by means of their re-issuance in the form established in Kazakhstan. In case there is no



international agreement with an exporting country, the certification of imported products is conducted according to the rules established for Kazakhstani producers.

When imported goods subject to mandatory certification cross the customs border of Kazakhstan, the importer is required to present the conformity certificate or to fill out the application-declaration which needs to be registered by an accredited organization providing certification services. The application-declaration has legal force only for the purpose of customs clearance of imported goods. In order to sell these goods, it is necessary to certify their compliance with relevant technical regulation in accredited organizations.

## **FOREIGN INVESTORS' FREQUENTLY ASKED QUESTIONS PROFIT REPATRIATION AND TAXATION IN KAZAKHSTAN**

Due to political and economic stability in Kazakhstan, reach natural resources and high annual economic growth over the past several years, foreign investors continue to view Kazakhstan as a favourable place to do business.

One of the most important issues to foreign investors is the repatriation of their profits and the tax implications of their income. An analysis of the taxation of certain types of income in Kazakhstan is given below.

Civil legislation allows foreign investors to operate in Kazakhstan through either a local branch of a foreign company or a local subsidiary established as an independent legal entity under the laws of Kazakhstan. Naturally, a foreign investor should determine which type of investment structure is preferable.

### **Operating in Kazakhstan through a branch office**

The branch's profits are subject to corporate profit tax in Kazakhstan at a rate of 30 percent plus an additional tax on the net after-tax income of the branch (a so-called branch profit tax). Under Kazakhstan's Tax Code, the branch profit tax rate is 15 percent. It is applied irrespectively whether profits are repatriated or not. This tax is similar to the tax withheld on dividends, but since tax on profits repatriated by Kazakh entities applies only when profits are actually distributed, a subsidiary can defer tax by not paying dividends.

A foreign company cannot charge fees to its Kazakh branch office branch office, because the head office and branch are part of the same entity. However, an affiliate company can charge fees to the branch office in Kazakhstan, so intra-group transactions are possible.

### **Operating in Kazakhstan through a subsidiary**

A foreign investor can choose to create a subsidiary in Kazakhstan in the form of a joint stock company (JSC) or a limited liability company (LLC).

Sometime potential foreign investors confuse Kazakh LLC with Russian “limited liability partnership” and they ask whether LLC is a “flow through” entity whose revenues and expenses flow through the entity and are attributed to the partners owning the entity, in accordance with the partnership taxation principles that are common in many countries. However, LLCs are not flow-through entities, therefore JSCs and LLCs are taxed similarly in Kazakhstan. Both are subject to corporate profit tax and their profit distributions are subject to income tax withheld at the source of payment at the rate of 15 percent. Profits distributed by a JSC are referred to as dividends, while profits distributed by LLCs are called income from equity investments (because LLCs do not issue shares), but the difference in nomenclature has no impact on the taxation of the profit distributions.

As a result of the adoption in 2004 of the law on JSCs, usually they work as public companies, while LLCs - as private companies, being most common organizational form for companies in Kazakhstan.

Any Kazakh-source income that a subsidiary company pays to a foreign parent company is subject to the same rates of income tax withholding, regardless of the type of entity paying the income, unless tax privileges granted by an international agreement. The following income tax rates apply to income paid by non-resident companies with no taxable permanent establishment in Kazakhstan:

<i>Interest income</i>	<i>15%</i>
<i>Dividends and income from an equity investment in a Kazakh entity</i>	<i>15%</i>
<i>Premiums paid for insurance coverage</i>	<i>10%</i>
<i>Premiums paid for reinsurance</i>	<i>5%</i>
<i>Income from international transportation services</i>	<i>5%</i>
<i>Other income (royalty, fees for other types of services)</i>	<i>20%</i>

#### Tax treaty benefits

Under Kazakh tax law, the deductibility of interest paid to a non-resident lender depends on the borrower’s capital structure. If the borrower’s debt-to-equity ratio exceeds a specified ceiling level, the interest paid to a non-resident lender is not fully tax-deductible in Kazakhstan. However, under the non-discrimination clause of many of Kazakh tax treaties, interest can be fully deductible if it is not paid to a related company. Thus, there can be a profit tax advantage from operating under a tax treaty.

Business profits from the active conduct of business in Kazakhstan, rather than passive investment in Kazakhstan, can be completely exempt from income tax in Kazakhstan if the non-resident business has no permanent establishment in Kazakhstan under the applicable tax treaty. In addition, foreign investors operating in Kazakhstan through a branch office can in many cases claim treaty relief and reduce the branch profit tax rate applicable to their branch's profits. The branch profit tax under most of Kazakh tax treaties is 5 percent. Furthermore, Kazakh tax treaties typically provide for reduced income tax withholding rates for passive income such as dividends, interest, royalties. Most of Kazakh tax treaties provide for a reduced tax rate of 5 percent on dividends, and 10 percent on interest and royalties. Hence, it is often advisable to invest in Kazakhstan from a country that has a tax treaty in place with Kazakhstan.

The procedure for claiming treaty relief in Kazakhstan depends on the type of income for which treaty benefits are claimed. For passive income and income from services provided entirely outside of Kazakhstan, a non-resident of Kazakhstan which is a resident of a country that has a tax treaty with Kazakhstan can claim treaty benefits simply by providing to the payer a copy of a certificate from the non-resident's home-country tax authorities confirming that the non-resident is a tax resident of that treaty-partner country. Likewise, a non-resident with a branch office in Kazakhstan can claim a treaty-reduced branch profit tax rate by obtaining from its home-country tax authorities a certificate confirming that the non-resident is a tax resident of that treaty-partner country.

The tax authorities of some countries are more cooperative about issuing such certificates confirming tax residency, so foreign investors may wish to take this into account when selecting a jurisdiction from which to invest into Kazakhstan. Investors from some countries may experience difficulty obtaining tax residency certificates if they operate in the form of a partnership in that country and if a partnership is not recognized in that country as a taxable entity that can be regarded as a tax resident. Thus, the type of entity organized in a particular country may also have an impact on the choice of jurisdiction from which to invest into Kazakhstan.

### Investment preferences

Acting enterprises are granted the right to deduct the cost of fixed assets entered to exploitation for a period of 10 years. Newly commissioned enterprises are given exemption from corporate income tax on revenues of investment activity for a period of 10 years as well.

Exemption from property tax on fixed assets purchased within the framework of the investment project for the period of 5 years.

Exemption from land tax for plots is used for implementing investment project for the period up to 5 years.



Custom duty exemption can be granted when investor imports equipment or parts to implement the investment project.

State grants in kind can be granted as a plot of land, building, construction, machines and equipment and so on. Maximum volume of state grants in kind should not exceed more than 30% of investments in fixed assets.

### Summary

Foreign investors can earn many types of income from Kazakhstan. Some of the most common types are dividends from JSCs and income from equity investments in LLCs, royalties, interest income and management service fees.

From the perspective of diminishing the tax burden, it is generally advantageous for a foreign investor to invest in Kazakhstan from a country with a tax treaty in place with Kazakhstan. Usually, foreign investors represent multinational holdings with subsidiaries in multiple countries and have a variety of affiliates available for investment and activities in Kazakhstan. In that case, the foreign investor may be able to choose between various countries from which to invest into Kazakhstan.

Though these issues primarily relate to foreign investors, Kazakhstan's resident customers often provide input to foreign suppliers and service providers regarding how to structure operations in Kazakhstan. By being flexible and knowledgeable about tax issues, Kazakh companies can help foreign suppliers and service providers reduce tax costs in Kazakhstan, and these tax savings can be partially passed on to the Kazakh customers in the form of lower product and service costs.

When making a decision regarding the jurisdiction from which to invest in Kazakhstan or the type of organizational form to use for activities in Kazakhstan, foreign investors are advised to seek professional advice.

**Tax Code.** The new Tax Code was adopted on January 1, 2009. The new Tax Code introduced a number of changes to the regulation of corporate income tax (CIT) compared to the previous legislation. CIT is payable by resident legal entities (except government institutions) and non-resident legal entities doing business in Kazakhstan through a permanent establishment (branch, representative office or other) or otherwise earning income from sources in Kazakhstan. Tax base for CIT is income.

Besides of this, taxation of subsoil use has also undergone changes. Under the new Tax Code, subsoil users pay Mineral Extraction Tax (MET), Excess Profit Tax (EPT), signature bonus, commercial discovery bonus and historic costs.

MET is payable in cash by the subsoil user quarterly for each type of minerals extracted. The Kazakhstan Government may decide to change cash payment to payment in-kind. For that purpose, a separate agreement between the Government and the relevant subsoil user has to be entered into. MET rates vary from 03% to 24% depending on the type of extracted minerals.

The new Tax Code contains the following main innovations relating to subsoil users taxation:

- The royalty has been replaced with MET;
- The Production Sharing Agreement (PSA) as a type of subsoil use contract has been abolished. PSAs made before January 1, 2009 shall continue in force;
- EPT will now be assessed using the sliding scale at the rate, established in the Tax Code based on the ratio of the aggregate annual income to the income deductions. The size of the non-taxable net profit has been increased from 20% to 25%;
- Effective January 1, 2009 tax stability provisions in all subsoil use contracts (except for the existing subsoil use contracts and PSAs) have been terminated. Tax stability meant that the tax regime set forth in a subsoil use contract entered into in the established procedure after the mandatory fiscal expertise was valid throughout the contract's duration. Payment of historic costs is new in the Tax Code and is a fixed amount payable by the subsoil user to the budget as a compensation of the aggregate expenses incurred by the state for exploration and development of a contract area before entering into a subsoil use contract. The amount of such expenses is determined by the authorized government agency.

Within the tax reform, social tax now has fixed rate of 11% instead of previously used regressive rate from 13% to 5%.

The flat rate of the individual income tax is kept at the level of 10%.

The corporate income tax reduced to 20% or by 1/3 compared to 2008, and the rate will be 15% in 2011.

The VAT rate was lowered from 13 to 12%. Tax benefits are available to enterprises that are making investments.

The new Tax Code has partially reformed regime of taxation of agricultural producers.

The Code also envisages alteration of the order of property taxation.

The table below shows rates of main Kazakhstani taxes, as established by the new Tax Code.

Tax	Rates
Corporate income tax	2009 - 20% 2010 - 17.5% from 2011- 15%
VAT	12%
Individual income tax	10%
Social tax	11%
Property tax (individuals)	The amount of tax depends on the cost of property. The minimal rate is 0.05% of the cost.
Property tax (legal entities)	0,1 - 1,5% of the average annual value of the property
Land tax (to be paid by individuals and legal entities)	The amount of tax varies depending on the area of a land plot, its quality and purpose
Excise tax (applies to all types of spirit, alcohol, beer, tobacco products, petrol (except for aviation fuel), diesel fuel, motor vehicles, crude oil and gas condensate	Rates are established in percentage to the cost of goods or in a fixed sum per unit of measurement
Vehicle tax (cars)	From 2 to 117 MCR <sup>1</sup> depending on engine capacity and type of a vehicle

1) MCR (monthly calculation ratio) established by the National Budget for 2009 amounts to 1,273 tenge.

Generally, the new Tax Code aims to achieve the following main targets:

- i) reduction of general tax burden on economy sectors not relating to natural resources;
- ii) increase of economic returns from natural resources extraction;
- iii) optimization of tax privileges;
- v) improvement of tax administration system.

(For detailed information on changes in Kazakhstan's tax legislation please visit the web-site of the Tax Committee of the Ministry of Finance of Kazakhstan: [www.salyk.kz](http://www.salyk.kz), which is also available in English).



## **KAZAKH FOREIGN POLICY: MAIN ACHIEVEMENTS AND NEW GOALS**

### **BRIEF OVERVIEW**

Many American and European experts believe that by historical standards, and certainly in comparison to other fourteen states that have emerged from under the shackles of the Soviet Union in 1991, Kazakhstan has done remarkably well in establishing its independent foreign policy – Kazakh achievements are recognized and noteworthy.

The formulation of conceptual basis and principles of Kazakh foreign policy was started shortly after Kazakhstan gained its independence on December 16, 1991. It was based on the understanding that Kazakhstan is a large country located both in Europe and Asia, its interests are multifaceted and there is no bias towards one continent or another. Its geographical location has helped define the priorities of Kazakh foreign policy and has influenced the many directions of its diplomatic activity. President Nursultan Nazarbayev of Kazakhstan has clearly determined the main strategy of Kazakh diplomacy - creating and maintaining favourable conditions for the steady development of the country on the basis of political and economic reforms.





The nature of these transformations inside the country determined the main priorities of the country's foreign policy; its impartial character and its desire for full involvement in international and regional events. At that time, the Government of Kazakhstan had to make key decisions in military, political and economic areas and decisions on democratic reforms and on the establishment of a new state governing system. These

decisions had to be made to help integrate Kazakhstan smoothly into the world community. Kazakhstan's foreign policy is in general harmony with the global political trend towards liberalisation.

Analysis of the main achievements in the independent development of Kazakhstan during the last 18 years shows that one of the most important decisions made at that time was to gain the status of a non-nuclear state and to pursue the policy of non-proliferation. Kazakhstan set an example of high responsibility in respect of the current and future generations, convincingly demonstrating, that it is not the nuclear arsenals, but a peaceful foreign policy, internal stability, sustainable economic and political development that in fact ensure the real security. Sir Winston Churchill once said, "generals always prepare for the last war". Kazakhstan was preparing for a new world - the nuclear weapon-free world and thus naturally became a vivid example of mankind's increased responsibility in the face of the threat of total destruction.

Kazakhstan successfully develops good relations with United States, Russia, China, Central Asian countries and many other European and Asian countries. With Russia, Kazakhstan has longstanding historical ties and a physical connection by virtue of a vast shared border. In addition, a substantial proportion of Kazakh citizens (approximately 30 per cent) are ethnic Slavs. Kazakhstan has developed relations with China. It shares a long border with China. China's quest for energy security and markets has led it to become deeply involved in Kazakh economy, a trend that will only accelerate as China's economy continues to grow and the economic boom continues in its western regions adjoining Kazakhstan. In 2006, Kazakhstan established "strategic partnership" with the United States.



It also includes strong, multidimensional ties with its Central Asian neighbours. Globalisation is gaining momentum and so are the regional processes of economic integration. Regional alliances are developing in every corner of the planet. Many countries have realised, that their national goals can be successfully achieved only through developing



regional cooperation. From the very beginning of its independence Kazakhstan has constantly been putting efforts to promote regional economical integration. Astana took practical measures on its co-operation within the CIS, the Eurasian Economic Association, the Central Asian Economic Association as well as within newly founded Shanghai Cooperation Organization. In early 2005, Kazakhstan has called its neighbours for the eventual establishment of the Central Asian Union based on commonality of historic, ethnic, cultural and economic backgrounds and shared challenges and interests in future.

By strengthening friendly relations with its neighbours, Kazakhstan has built a “security belt” around its borders. The main achievement of the last 17 years has been the absence of conflicts or confrontations between Kazakhstan and any other country. Favourable external conditions have been created for the sustainable development of independent Kazakhstan and for its political and economic interests in general. Beyond these, Kazakhstan is developing good relations with other states such as India, Iran, Japan, South Korea, Turkey, and various European states.

Extending its influence beyond Central Asia Kazakhstan initiated the idea to create mechanisms of confidence building measures in Asia. In 2002, this idea was institutionalised into the Conference on Interaction and Confidence-Building Measures in Asia (CICA). A cooperative endeavour of the CICA is involving



20 countries with a combined population of more than 3.5 billion that is designed as a setting for countering a multitude of threats, both traditional and new: wars among and within states,

arms races, nuclear proliferation, terrorism, illegal migration, extremist ethnic and religious ideologies and movements, and environmental degradation. Besides identifying diverse threats and expanding the concept of “security” as traditionally conceived, the CICA proposal stresses the essentiality of collective action given that many of these threats are transnational in nature and immune to purely national solutions. CICA demonstrated that Kazakhstan is part of a larger Asian universe, just as its chairmanship of the OSCE in 2010 establishes the length and validity of its ties to the European world.

Kazakhstan has built solid relationships with various organizations, foremost among them the Collective Security Treaty Organization (CSTO), NATO’s “Partnership for Peace” program (PFP), the European Union (EU), the Shanghai Cooperation Organization (SCO), the Organization for Security and Cooperation in Europe (OSCE), the Economic Cooperation Organization (ECO), and the United Nations.

Since 1992, Kazakhstan continues creating a firm foundation for and expanding constructive cooperation with the NATO with a view to strengthening security in the Central Asian region and conduct joint efforts in anti-terror initiatives. NATO and Kazakhstan actively cooperate on democratic, institutional, and defense reforms, and have developed practical cooperation in many other areas. Kazakhstan joined NATO’s Partnership for Peace (PFP) program in 1995. This provided the country with an invaluable expertise and contacts with the military establishments of NATO members. Kazakh cooperation with the Alliance could be portrayed for internal domestic political purposes as promoting security in the region, and arguably by narrowing the focus of relations with NATO these elements have been more successful. NATO on the other hand, utilized the PFP program with Kazakhstan as a unique venue for fostering greater integration of Central Asian states with western political and military institutions. Kazakhstan-NATO cooperation has been focused on trainings and equipping of certain armed forces divisions, particularly “Kazbat”/“Kazbrig” peacekeeping force, in accordance with the NATO standards; training of a special rescue crew, which can participate in international rescue and humanitarian operations under the NATO/UN mandate; border security cooperation; armed forces reforms and using the NATO potential in science, emergency civil planning, environmental problems solving. As the NATO Secretary General J.de Hoop Scheffer stated, the Republic of Kazakhstan is a key country in Central Asia for the NATO.

On June 24-25, 2009, Kazakhstan hosted the III Euro-Atlantic Partnership Council Security Forum - for the first time in the history of NATO the Security Forum was held in the post-soviet space and Asian continent (last two meeting of the Council were hold in Sweden in 2005 and in Macedonia in 2007.). The idea of holding the Forum in Astana was proposed by Kazakhstan’s President Mr. Nursultan Nazarbayev and supported by the North-Atlantic Council. It was chaired by the NATO Secretary General, Mr. Jaap de Hoop Scheffer. High representatives





CIS Ministerial Council, Moldova, October 2009

from member-states of partner-states of the NATO took part in the event. The Forum became a good opportunity for all participants to discuss in an open and honest manner the issues of regional and global importance, including security in Central Asia and Caucasus, situation in Afghanistan and energy security.

According to the then NATO Secretary General Jaap de Hoop Scheffer, “today, Kazakhstan is NATO’s most active partner in the Central Asian region. There has been solid progress in defense and military cooperation. The issues range from Afghanistan to the Caucasus, and from energy security to Central Asian security. Each of these topics affects NATO Allies and Partner countries. And so each of them has a strong Partnership dimension”.

As a result of such cooperation Kazakhstan military contingent has completed with dignity its noble mission in Iraq. During its peaceful mission in Iraq the contingent has destroyed 4 millions units of ammunition. Our doctors, together with their foreign colleagues succeeded in rescuing lives of more than 500 Iraqi citizens, one third of whom are children.

Kazakhstan-NATO effort in struggle against international terrorism, religious extremism, drug trafficking, and cooperation in science, education are priorities of Kazakh cooperation with the Alliance. According to the Kazakhstan-NATO treaty, the country allowed NATO aircrafts to cross its territory, as well as to land in case of emergency. More than 3,000 aircrafts have crossed country’s air space.





Kazakhstan was accepted as a member of the United Nations in March 1992. Since that time Kazakhstan has participated in many activities of the UN. In November 2006, Kazakhstan has been for the first time elected to the United Nations Economic and Social Council (ECOSOC). In the course of elections of 18 new ECOSOC members at the UN General Assembly, Kazakhstan was supported by 187 out of a total of 192 UN member states considerably exceeding the required minimum of two-thirds of the votes.

By the invitation from the West Kazakhstan joined the OSCE on January 30, 1992 and made a first step towards the formation of a new European security's architecture driven by equal rights and absence of dividing lines. Today Kazakhstan is unanimously elected OSCE Chairman in 2010 - the Republic achieved a new level of international recognition. It is a paramount evidence of the country's growing importance in the international arena. The Madrid Statement by Foreign Minister Marat Tazhin of Kazakhstan at the OSCE Ministerial Meeting on November 29, 2007 chalked out the agenda for the forthcoming OSCE Chairmanship. Now it is clear that Kazakhstan's attention in 2010 will be focused on promoting tolerance, stabilising Afghanistan within the OSCE mandate, strengthening all dimensions of the Organisation.

Since January 1, 2010, Kazakhstan took over Chairmanship of the OSCE. The country's Secretary of State and Minister of Foreign Affairs Kanat Saudabayev is the active Chairman-in-Office.

During the chairmanship, Kazakhstan is going to be committed to a balanced development of OSCE activities in all three 'baskets', which include politico-military, economic and environmental, and human dimensions. Realizing an initiative supported by the OSCE, Astana will host the OSCE High-level conference on tolerance and non-discrimination on June 29-30, 2010. Another important event will be held this year in Copenhagen, jointly arranged by Kazakhstan and Denmark, and would commemorate the 20th anniversary of the OSCE's Copenhagen Document on Human Dimension and review achievements in this area.

会议  
В-ЧЛЕ  
НИЧЕС

Another important initiative by Kazakhstan is to convene an OSCE Summit to gather all heads of the organization's member states for the first time since meeting in Istanbul in 1999. The idea is to arrange a meeting of the OSCE leaders to discuss the contemporary challenges, including the impact on the region's political agenda of international terrorism since attacks of September 11, 2001, and of the latest global recession, and to state their common vision of the most pressing of common security concerns and of the agenda for international cooperation to promote the safer and better world.

In relation with the Islamic world, since its accession to the OIC in 1995, Kazakhstan has actively participated in the multifaceted activity of the Organization. Kazakhstan stands for strengthening of the OIC, as an effective and influential forum of the Muslim world, and supported the ongoing efforts in reforming and modernization of the Organization in line with humane principles of Islam as a religion of peace and progress. Kazakhstan welcomes the drafting of the new OIC Charter, which symbolizes confidence and integrity of the OIC, its focus on the future.

Kazakhstan, being a secular state, is an integral part of the great Muslim civilization. Our history, for over many centuries, has inalienably been connected with Islam, which is one of the inherent components of spiritual culture of the Kazakh people. It is commonly known, that ancestors of peoples of Central Asia significantly contributed to the development of Islamic 'universum' and to flourishing of philosophy and sciences. They were talented warriors, commanders and statesmen.

Kazakhstan would like to strengthen cooperation of the OIC with international organizations on a wide range of issues and to make its own contribution to the noble activity of the Islamic Conference. In this regard, Kazakhstan proposed to hold the Islamic Council Meeting of Foreign Ministers in 2011 on its soil, and this proposal was approved by the member nations. Accordingly, Kazakhstan will chair the OIC in 2011.



## CONTRIBUTION TO INTERNATIONAL SECURITY

Being an independent body of international law (*jus inter gentes*) at the beginning of its independent development, the Republic of Kazakhstan has actively established military and political mechanisms to address major international challenges and joined international efforts aimed at strengthening global security. Our country renounced the status of a nuclear power and thus confirmed its intention to follow the principles of cooperation and non-confrontation in international relations. This also shows that Kazakhstan has developed a responsible attitude towards matters of international security. Today we are absolutely confident that the decision to renounce our nuclear heritage was the only right decision to ensure the national and global security.

The Republic of Kazakhstan as the successor to the USSR became a participant of major negotiations and agreements concerning disarmament, arms control as well as confidence-building measures. The most important agreements concerned the strategic arms reduction and the elimination of medium and short-range missiles and the conventional arms forces in Europe.

In August 1991, President Nazarbayev has signed a historic decree to close the Semipalatinsk nuclear test site.

On December 29, 1991, the leaders of Belarus, Kazakhstan, Russia and Ukraine signed the Almaty Declaration in which they agreed on the control mechanisms over the operation of the nuclear arsenal of the former USSR and affirmed their international obligations concerning the strategic arms reduction.

On May 23, 1992, in Lisbon the presidents of Kazakhstan, Belarus, Ukraine, Russia and USA signed a five-party Protocol to the Strategic Arms Reduction Treaty. At the same time Belarus, Ukraine and Kazakhstan, as the states possessing nuclear weapons, committed themselves to the Non-Proliferation Treaty. Thus Kazakhstan has made a historical decision to renounce its nuclear heritage which was an important step strengthening the statehood of our country as an integral part of existing world civilisation.

In accordance with the Lisbon Protocol, Kazakhstan, Belarus and Ukraine, as successor states to the USSR in terms of the Strategic Arms Reduction Treaty, have agreed to participate, along with Russia and the USA, in the work of the joint Commission on observance and inspection. They have also agreed to conclude agreements on the limits and restrictions specified by the Treaty. Kazakhstan ratified the Treaty and the Lisbon Protocol, which is an integral part of the Treaty, on July 2, 1992. The Strategic Arms Reduction Treaty came into force in 1994 and paved the way to disarmament and the elimination of more than 9,000 nuclear warheads under strict supervision.

Kazakhstan was the first among the participants of the Lisbon Protocol to implement the provisions concerning removal of nuclear warheads. On April 21,





1996 the process of removal of 1416 nuclear warheads from Kazakhstan territory was completed. On May 30, 1995 the last nuclear test warhead, which was located in a gallery on the Semipalatinsk test site, was destroyed through a conventional explosion. Finally, Kazakhstan had got rid of its nuclear inheritance forever.

In December 1993, the Supreme Council of the Republic of Kazakhstan ratified the Treaty on Non-Proliferation of Nuclear Weapons (NPT). The signing of the Treaty on Non-Proliferation of Nuclear Weapons was a very important step in the realisation of Kazakh foreign policy. Many leading countries pointed out that by doing so Kazakhstan had visibly demonstrated its responsible attitude and maturity in international matters and its aspiration for active participation in resolving important international security issues.

In a statement made on April 14, 1995, the Ministry of Foreign Affairs supported the Resolution 984 (1995) by the Security Council of the UN on the extension of security guarantees to non-nuclear states participants of the NPT made by nuclear states. Kazakhstan supported the decision that the pledge of security has to have the force of international law. In December 1994 the summit of CSCE took place in Budapest. The Memorandum on extension of security guarantees to Kazakhstan, Belarus and Ukraine made by Russia, the United Kingdom, the USA was signed. The signing of this document is an important event of modern international politics. Three countries, which are depositories of the NPT, confirmed their collective obligation to respect the independence and the territorial integrity of Kazakhstan and to secure Kazakhstan from economic blockade. Kazakhstan was given the same assurance by China and France.

The year of 1996 was marked by another event of utmost importance. During the 51st General Assembly of the United Nations the Comprehensive Nuclear-Test Ban Treaty was signed.



Kazakhstan by then had already shut down the nuclear testing site, dismantled its infrastructure, and had signed agreements concerning nuclear armaments. Now Kazakhstan is implementing the proposals made by the President Nazarbayev during the Disarmament Conference to include Kazakh seismic stations in the International Monitoring System.

Kazakhstan recognises the significance of the fact that the Treaty has been signed, but it doesn't believe that nuclear tests belong to the past. The damage inflicted on the people and environment of Kazakhstan is enormous and has to be properly assessed and mitigated. It is well known that for more than 40 years more than 500 nuclear test explosions, including 113 in the atmosphere have been made in Semipalatinsk.

On March 21, 2009, the Treaty on Nuclear Weapon Free Zone in Central Asia, signed on September 8, 2006 in Semei, Kazakhstan, went into force. Kazakhstan welcomes the Treaty's becoming effective and believes that it will contribute to global non-proliferation process and promote regional and international security.

The new denuclearized zone in Central Asia has a number of unique features. First, one of the zone's state namely, Kazakhstan, in the past possessed the forth largest nuclear arsenal. Secondly, for the first time the denuclearized zone is created in Northern hemisphere. Thirdly, this Treaty becomes the first multilateral agreement in security area which brings together all five Central Asian countries. And finally, for the first time the denuclearized zone has been created in the region which borders upon two nuclear states.

The Treaty will not only facilitate the strengthening of security of Central Asia, but will also be an important measure promoting regional confidence building and cooperation. According to the Treaty, the member states pledge to ban production, acquisition and deployment of nuclear weapons and their components or other 'nuclear devices in the region. Besides, Parties to the Treaty will jointly elaborate mechanisms of information exchange, verification procedures and properly fulfil Treaty provisions. Importantly, the Treaty does not prohibit the development of national civil nuclear programs.

The Protocol on negative security assurances is an integral part of the Treaty. Under the Protocol, the nuclear weapon states pledge not to use or threaten to use nuclear weapons against any states member to the Treaty.

UN Secretary General Ban Ki Moon issued the statement welcoming the entry into force of the Treaty on a Nuclear-Weapon-Free Zone in Central Asia. The UN Secretary General also "trusts that the entry into force of the Treaty on a Nuclear-Weapon-Free Zone in Central Asia will reinforce efforts to strengthen the global nuclear nonproliferation regime, underline the strategic and moral value of nuclear-weapon-free zones, as well as the possibilities for greater progress on a range of issues in the pursuit of a world free of nuclear weapons.

On June 18, 2009, over 25,000 locals, Kazakh dignitaries and world media gathered in Semey city to celebrate the 20th anniversary of Kazakh decision to stop nuclear tests at the Semipalatinsk Test Site.

The meeting was held in Semey where President Nursultan Nazarbayev called on the international community to support Kazakhstan's peaceful mission.

In his speech, President Nazarbayev emphasized that refusal to conduct nuclear testing has become possible due to courage and enthusiasm of millions of Kazakhs that put an end to the crimes against lives and health of the whole people of Kazakhstan.

Besides he noted that "starting from the first days of the country's independence, Kazakhstan did not leave its citizens alone with their problems. The work on social rehabilitation of the population and the territories suffered the harm of the nuclear tests is being constantly carried out. For these purposes the state utilized nearly KZT 34 billion (approximately \$215 million)".

President Nazarbayev suggested to proclaim August 29, the day when the testing site for nuclear weapons was closed 18 years ago, as the World Disarmament Day. On December 2, 2009, the UN General Assembly approved by consensus a resolution put forward by Kazakhstan and co-sponsored by 26 other states proclaiming August 29 an 'International Day against Nuclear Tests'. Recognizing the negative impact of nuclear testing on human life and the environment, as well as the importance of ending nuclear tests as one of the key means of achieving a nuclear-weapon-free world, the Resolution sets out to commemorate a significant date in Kazakhstan's – and, indeed, - the world's history.

On January 14, 1993, Kazakhstan signed the Convention on the Prohibition of the Development, Production, Stockpiling and use of Chemical Weapons and on Their Destruction (CWC). Kazakhstan is an observer in the Working Group of the Convention on Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (BTWC).

The Republic of Kazakhstan, as the successor to the USSR in matters concerning the Conventional Arms Treaty Forces in Europe (CFE Treaty) and all respective documents, has signed an Agreement on the principles and sequences of implementation of the Treaty and the Concluding Act of Negotiations on the personnel strength of the conventional armed forces in Europe (Tashkent, 1992). By doing so, Kazakhstan confirmed its commitment to the Treaty, accepted all rights and responsibilities under the Treaty and relevant documents. The Supreme Council of the Republic of Kazakhstan ratified the Treaty and the above-mentioned agreement on July the 2nd, 1992. On October the 30th, 1992, the instrument of ratification was granted to the Netherlands, which is a depositary state.

The international community has fully appreciated Kazakh contribution to this nuclear disarmament programme. The Government of Kazakhstan has demonstrated in practice its dedication to the principles and objectives of global security. This has established Kazakhstan as a responsible member of the world community and is helping to realise Kazakh potential in foreign policy.

## **CONFERENCE ON INTERACTION AND CONFIDENCE-BUILDING MEASURES IN ASIA (CICA)**

The Conference on Interaction and Confidence Building Measures in Asia (CICA) is an intergovernmental forum for dialogue, consultations, and adoption of decisions and measures based on consensus on security issues in Asia.

The initiative on convening CICA was put forward by the President of the Republic of Kazakhstan Nursultan Nazarbayev for the first time at the 47th session of General Assembly of the United Nations in October 1992.

### **General information**

Main objective and thrust: enhancing co-operation through elaborating multilateral approaches towards promoting peace, security, and stability in Asia.

Member States: Afghanistan, Azerbaijan, China, Egypt, Jordan, India, Iran, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Palestine, Republic of Korea, Russia, Tajikistan, Thailand, Turkey, Uzbekistan and United Arab Emirates (20 states).

Observers: Indonesia, Japan, Malaysia, Vietnam, Ukraine and the USA; the United Nations, the OSCE and the League of Arab States.

Chairman-in-Office: Republic of Kazakhstan (2002-2006, the first term of office; re-elected for the second term of office for 2006-2010). Turkey assumes chairmanship in 2010.

Policy bodies: Heads of State and Government Meeting (Summit), Ministers of Foreign Affairs Meeting (Ministerial Meeting), Senior Officials Committee (SOC).

Supportive bodies: Special Working Groups (SWG) on different directions moderated by the CICA Executive Director.

Administrative body: permanent international Secretariat in Almaty (Kazakhstan).

Secretariat: CICA Executive Director Ambassador Dulat Bakishev (Kazakhstan), CICA Deputy Executive Director Mr. Korhan Karakoch (Turkey).

Main meetings: I Ministerial Meeting (1999), First Summit (2002), II Ministerial Meeting (2004), Second Summit (2006) all of which held in Almaty, III Ministerial meeting (in August, 2008), Third Summit (in 2010).

Basic documents: Declaration on the Principles Guiding Relations among the CICA Member States (adopted in 1999), Almaty Act (signed in 2002), CICA Catalogue of Confidence Building Measures (adopted in 2004), CICA Rules of Procedure (adopted in 2004), Statute of the CICA Secretariat (signed in 2006).

Political declarations: Declaration on Eliminating Terrorism and Promoting Dialogue among Civilizations (2002), Declaration of the II Ministerial Meeting (2004), Declaration of the Second Summit (2006).





### Geographical scope of the CICA participants

Total area of the territory of CICA participants amounts to 38,8 million sq. km. or approximately 89% of all the territory of the Asian region and 72% of the territories of the Eurasian continent. There live more than 3,5 billion people that make 45% of the total population of the globe.

Language of official documents: English.

Working languages: English and Russian.

Official holiday: October 5 (CICA Day).

### Asian security – the role of the CICA

It is a well known fact that Asia has both a huge potential for development and a multitude of unresolved and potential conflicts that undermine its stability. Asians also know that new challenges and threats are interconnected, and there is an inextricable link between development and security. For this reason, security challenges, old and new, require coordinated and comprehensive response. The importance of confidence building and preventive measures also cannot be overlooked.

The Conference on Interaction and Confidence Building Measures in Asia (CICA) was convened by Asian states for enhancing cooperation towards promoting peace, security and stability in Asia. The idea of convening CICA was first proposed by President Nursultan Nazarbayev on October 5, 1992, at the 47th Session of the United Nations General Assembly. The moving spirit was the aspiration to set up an efficient multilateral structure for ensuring peace and security in Asia. Unlike other regions in the world, Asia did not have such a structure at that time and earlier attempts had not been very successful.

This initiative was supported by a number of Asian countries (China, India, Pakistan and Russia among them) who felt that such a structure was the need



of the time. One of the reasons for this support was the fact that CICA aimed to strengthen mutual understanding and create harmoniously designed security system on the Asian continent. CICA offered an opportunity to all Asian states not only for better understanding of each other's security concerns and to cooperate on monitoring and managing conflict issues, but also to help resolve some other problems by interaction in variety of areas

There were, of course, skeptics who thought that the idea was not workable because of the extreme diversity of the continent and existence of multiple flash points with significant conflict potentials. The skeptics have, however, been proved wrong and today CICA is one of the most diverse and ambitious groupings seeking mutually acceptable measures for resolving problem and conflicts in the region through dialogue and confidence building measures among the member states.

Continued relevance of CICA is demonstrated by the fact that its membership has risen from sixteen to twenty in last five years. CICA Member States account for nearly ninety percent of the area and population of Asia. CICA's reach extends from Turkey in the west to Republic of Korea in the east encompassing countries in Eurasia, Middle East, South, South East and East Asia. This is perhaps the only platform outside of United Nations where countries, which do not have diplomatic relations, come together for exchange views and arrive at understandings on issues of common interest.

During the earlier years of its formation, member states worked hard to prepare an adequate legal basis. They drew up the Declaration on the principles guiding relations between the CICA Member States adopted at the first Ministerial Meeting in 1999, the Almaty Act adopted at the first Summit Meeting in 2002 and the Catalogue of CICA Confidence Building Measures adopted during the Second Ministerial Meeting in 2004. These founding documents laid down the comprehensive approaches for addressing contemporary issues like conflict resolution, international terrorism, disarmament and arms control, confidence building measures, drug trafficking, illegal sale of fire-arms and nuclear materials, humanitarian issues including human trafficking, promotion of trade and well being of the people of Asia.

From 2007, CICA has started the process of implementation of confidence building measures. Twelve member states are coordinating confidence building measures in wide range of issues including interaction in cultural, religious and educational affairs, tourism, development of small and medium enterprises, information technology, energy security, development of secure transport corridors, environment, disaster management, drug trafficking and meeting new threats and challenges.

CICA will soon initiate deliberations on military-political issues which are vital for creating a common and indivisible area of security in Asia. Confidence building measures on military-political issues will help in accurate understanding of one another's security concerns; hopefully, pave the way for stable political and

diplomatic relations; and, most importantly, encourage moves to identify shared security needs.

We must shape our common destiny. Asian states need to overcome their narrow perceptions and collectively address common challenges and threats. No outside model can substitute necessary work or do the trick.

CICA is in the process of developing its own model in a gradual and step by step manner. A modest beginning can be made by allowing each member state to articulate its security perceptions. For this purpose, CICA Secretariat plans to publish Annual Outlook on Economic, Social and Security Issues in the CICA Region containing views of member states on security issues facing the region and proposals for addressing these issues. This can be followed by gradual incremental steps in implementing confidence building measures on the basis of consensus.

Kazakhstan is the founding Chairman of CICA. It has successfully held the Chairmanship since the first summit in 2002. Turkey, which has been one of the most active members of CICA, will be assuming the Chairmanship in 2010. It is expected that henceforth, there will be regular rotation of chairmanship every two years which will bring new dynamism and new ideas to the forum.

CICA has adopted very fine basic documents and important political declarations. It has successfully organized two summits and three Ministerial Meetings. During the short period since its inception, CICA has made big strides in its endeavour to find ways and means to eliminate the causes of mistrust, tension and hostility and create conditions for sustainable peace in Asia and economic growth of Asian states.

But we need to do more. Today, security is indivisible. No nation can defend itself alone against contemporary threats and challenges. Asia needs a comprehensive system of collective security. The challenge is whether we have a collective will to take concrete steps and rise to the occasion. Can we translate words and commitments into action?

Third Summit Meeting of CICA in Turkey in 2010 offers us the opportunity to take steps forward on that path.

## **KAZAKHSTAN'S INTERNATIONAL INTERRELIGIOUS INITIATIVES**

Over the years of independence a multiethnic Kazakhstan, known to the world by its traditions of peace and tolerance, has become an excellent international platform for the dialogue of cultures and religions. The republic looks forward to the future of inter-civilizational relations with hope and optimism. The initiative of the Alliance of Civilizations is accelerating its pace and the dialogue between peoples, governments, religious and public affiliations is expanding at all levels. Kazakhstan makes an adequate contribution to the interreligious international efforts. At the 62nd session of the UN General Assembly Kazakhstan initiated the resolution that has been adopted proclaiming the year 2010 as the “International Year of Rapprochement of Cultures” under UN auspices. Kazakhstan also held the 3rd Congress of Leaders of World and Traditional Religions on 1-2 July, 2009. The idea of promoting interreligious and interethnic tolerance is also included into the top priorities of Kazakhstan’s OSCE agenda in 2010.

### **CONGRESS OF LEADERS OF WORLD AND TRADITIONAL RELIGIONS**

Leaders of world and traditional religions first time met in Astana on September 24, 2003 with a strong condemnation of terrorism and prophecies of a “clash of civilizations”. They pledged to continue dialogue in the name of peace, harmony and prosperity. This was the first ever Congress of Leaders of World and Traditional Religions. The Congress, held at the initiative of President Nursultan Nazarbayev in Kazakhstan’s capital, drew wide-spread support from political leaders of both Western and Asian nations. Kazakhstan is a Muslim-majority country and is considered an example of interethnic and interfaith harmony. The Congress was a bold reminder to the world that people of different faiths and ethnic backgrounds really can and should live together in peace.

At the end of the Congress, senior clerics from Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other faiths adopted a Declaration stating that “extremism, terrorism and other forms of violence in the name of religion have nothing to do with genuine understanding of religion, but are threat to human life and hence should be rejected. The inter-religious dialogue is one of the key means for social development and the promotion of the well-being of all peoples, fostering tolerance, mutual understanding and harmony among different cultures and religions,” the religious leaders said after the closing joint prayer.

President Nazarbayev, who chaired the conference, said, “It is unacceptable to attach ideological or political dimensions to existing cultural and religious

differences". He countered the notion of the "clash of civilizations", saying it would be more appropriate to talk about "a meeting of civilizations". U.S. President George W. Bush said in his message to President Nazarbayev, "The United States strongly supports the Congress' objectives of deepening inter-faith understanding to advance the cause of religious liberty, expand freedom, and eliminate the root causes of terrorism". "For the United States, itself a multi-ethnic and religiously diverse nation, these meetings underscore the importance of working with our friends in Central Asia to advance the values of tolerance and respect that form the foundation of democracy," the President added. The leaders of the United Kingdom, France, Italy, Russia, China, Egypt and other nations, as well as then UN Secretary General Kofi Annan, also sent letters of support and commendation to the participants.

A bipartisan group of senior senators and congressmen from the United States, including Sen. Sam Brownback (R-KS), Sen. Conrad Burns (R-MT), representatives George Radanovich (R-CA), Joe Pitts (R-PA), Robert Wexler (D-FL), Eni Faleomavaega (D-American Samoa), Edolphus Towns (D-NY) and others sent a letter to President Nazarbayev saying the Congress was "timely". At the religious level the US was represented by the President of the National Council of Churches Michael E. Livingston and Cardinal Theodore Edgar McCarrick (Archbishop of Washington). They thanked Kazakhstan "for taking consistent and concrete steps to bridge the growing divide between Muslims and Jews at a time when tension in the Middle East is at a fulcrum, and intolerance and anti-Semitism are rising worldwide."

A total of 18 different religious delegations participated in the meeting from such diverse countries as Belgium, the United Kingdom, China, France, India, Iran, Israel, Japan, Pakistan, Russia, Saudi Arabia, Switzerland, and the U.S. Islam was represented by General Secretary of the Saudi Arabia-based World Muslim League Abdalla ben Abdel Muhsin At-Turki, President of the Islamic Knowledge University Ayatollah Sayed Mohammad Khamenei of Iran and others from Pakistan and India. Papal Envoy Cardinal Joseph Tomko led a delegation from the Vatican. The head of the Anglican Community, the Archbishop of Canterbury was represented by the Bishop of Croydon, the Rt. Revd. Nicholas Baines and Archbishop's Secretary for Ecumenism, Revd. Canon Jonathan Gough. Metropolitan Mefodiy represented the Russian Orthodox Church. Metropolitan Emmanuel of France led the delegation of the Constantinople Orthodox Church. Rev. Dr. Ishmael Noko, General Secretary of the Lutheran World Federation, represented the LWF. Losantsyumay Tudanzuyezinima, Living Buddha and deputy chairman of the All China Buddhist Association, Jian Ziyui, first deputy chairman of the All China Taoist Association, Dr. Shantilal Somaya, Director of Shinto Temples Directorate from Japan, represented their faiths. Jonah Metsger, the Chief Rabbi of Israel, and the chief rabbis of Belgium, Switzerland, and Russia led the delegation representing Judaism.





Pilgrims near Yazd's mausoleum. The tower of Turbat

In the final declaration, the leaders said they would not “allow the use of religious differences as an instrument of hatred and discord.” “We shall strengthen co-operation in promoting spiritual values and a culture of dialogue with the aim of ensuring peace in the new millennium,” the participants declared. The Resolution of the Congress requested Kazakhstan to make arrangements for the Secretariat to handle all inter-sessional activities before the next meeting of the Congress in 2006.

The UN General Assembly takes note of the Congress of World and Traditional Religions held in September 2003 in Astana. The UN General Assembly adopted the Resolution on Promotion of Interreligious Dialogue on 12 November 2004. This document stresses the commitment of all religions to peace and stability all over the world and appeals to the international community to promote in every way the development of the interreligious dialogue. The paragraph taking note of the Congress of World and Traditional Religions held in September 2003 in Astana convened by Kazakhstan has been included in the text of the Resolution: “Taking note of the various initiatives and efforts to organize interreligious dialogues, including the First Congress of Leaders of World and Traditional Religions, held in Astana on 23 and 24 September 2003, and the interreligious dialogue initiative adopted by the Fifth Asia-Europe Meeting, held in Hanoi from 7 to 9 October 2004, recognizing the commitment of all religions to peace, affirms that mutual understanding and interreligious dialogue constitute important dimensions of the dialogue among civilizations and of the culture of peace.”

By adopting this Resolution the community of nations has expressed support to the initiative of Kazakhstan to promote the culture of peace and the dialogue among civilisations. Following the adoption of the Resolution the Kazakhstan delegation to the UN has informed the international community about the preparatory work being carried out in Kazakhstan for the Second Congress of World and Traditional Religions which will be held in Astana in 2006.

The Resolution invites the UN Secretary-General Kofi Annan “to bring the promotion of interreligious dialogue to the attention of all Governments and relevant international organizations and to submit a report thereon, including all views received, to the General Assembly at its sixtieth session”. The UN Secretary General’s report will also include information on the First Congress of World and Traditional Religions and further efforts of Kazakhstan to develop the interreligious dialogue.

On October 13, 2004, Kazakhstan hosted the First Meeting of the Secretariat of the Congress of Leaders of World and Traditional Religions in the southern city of Turkestan, a city on the ancient Silk Road with 1,500 years of history and a spiritual center for Turkic people.

On April 25-26, 2006, Kazakhstan hosted the Fourth Meeting of the Secretariat of the Congress which took place in Astana. Its participants from all over the world have approved the draft declaration, themes and agenda of the Second Congress.



The main themes of the agenda are: the freedom of conscience and recognition of leaders of other religions, as well as the role of religious leaders in international security. Special envoy of the US National Council of Churches Rev. Dr. Shanta Premawaradhana was taking part in the Secretariat's meetings.

On September 12-13, 2006, Kazakhstan's capital Astana hosted the Second Congress of Leaders of World and Traditional Religions which gathered over 40 religious leaders, their representatives and envoys representing world and traditional religions as well as the representatives of international religious organisations. At the Second Congress, the leaders of major world and traditional religions made a decision to take a more active role in denouncing intolerance, terrorism and the misuse of religion for political ends.

Islam was represented by Dr. Abdullah bin Abdulmohsin Al-Turki, Secretary General of the Muslim World League (Saudi Arabia), Sheikh Muhammad Sayyid Tantawi, Grand Imam of Al-Azhar, Dr. Mahmoud Hamdi Zaqzouq, Dr. Mahmood Ahmad Ghazi, President of International Islamic University (Pakistan) and other distinguished Islamic leaders. The heads of Christian delegations included Rt. Rev Nicholas Baines, Bishop of Croydon (United Kingdom), Cardinal Roger Etchegaray, Emeritus President of the Pontifical Council for Justice and Peace (Vatican), His All Holiness, Bartholomew, Archbishop of Constantinople, New Rome and Ecumenical Patriarch (Turkey), Cardinal Theodore Edgar McCarrick, Archbishop of Washington (USA), Reverend Dr. Ishmael Noko, Secretary General of the Lutheran World Federation (Switzerland/USA) and others. Yona Metzger, Chief Ashkenazi Rabbi of Israel and Shlomo Amar, Sephardic Chief Rabbi of Israel have represented Judaism at the Second Congress. The representatives of Buddhism, Shinto, Taoism and Hinduism have also participated in the Second Congress. Among the invited guests of honour were UNESCO Director-General Koichiro Matsuura, the former Prime Minister of Malaysia Mahathir Mohammad, UN Under-Secretary-General (Geneva) Sergey Ordzhonikidze, René van der Linden, President of the Council of Europe Parliamentary Assembly, Alejo Vidal-Quadras, Vice-President of the European Parliament, Staf Nimmegeers, Vice Chairman of the Senate of Belgium and other distinguished political figures.

President Nazarbayev, the Chairman and host of the Congress has opened the first day of the session by welcoming participants' agreement on a set of Principles of Inter-religious Dialogue that he hoped would pave the way for a Declaration on the role of religion in promoting international security. "After the great loss of life in the first six years of the new century, the world is gradually beginning to understand one simple fact," he said. "The world's cultural and religious diversity is a reality that one needs to understand and accept as a given. Any other approach by politicians and the world may simply explode."

Representatives of each of the world's major religions spoke in turn of the role of education in promoting tolerance as a long-term contribution to global security. Koichiro Matsuura, UNESCO Director General, lauded Kazakh "model

for peaceful coexistence" among the country's 40-some religious groups. French President Jacques Chirac, in a letter to President Nazarbayev, expressed hope that the dialogue would make an important contribution to a global dialogue between cultures and civilisations. "To counteract against the clash of cultures, to combat calls to violence, to achieve the victory of our vision of a unified world, these are the goals which people of all kind intentions, of all religions and views, must reach together," he wrote. "Religious warfare brings out the worst in people," said Patriarch Bartholomeos I, Archbishop of Constantinople, addressing the Congress. "Religious fanaticism is one of the thorniest aspects of the problem and this is where our efforts should focus if we want the world to change," he said. The Archbishop of Canterbury, Dr. Rowan Williams who sent his representatives to the Second Congress - Bishop of Croydon Nicholas Baines and Archbishop's Secretary for Inter Faith Relations Guy Wilkinson - has conveyed his message of greeting to the participants of the Congress. In this message, His Grace praised the religious leaders for their contribution to "bringing about a more peaceful and just world". He "commended them to God and prayed that they would be inspired to be witnesses to his sovereignty and to his loving concern for the material and spiritual wellbeing of each human being". He also prayed for God's blessing on the endeavours of all who were taking part in the Congress and wished everyone had an open mind and heart to listen to the other and to the needs of suffering people around the world. "I pray that this Congress will, by the words and actions of the representatives, be a powerful witness to the constructive and creative role that people of faith who are open to the Spirit of God, can play," he wrote.

At conclusion of the Congress the religious leaders signed a solemn Declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism. The Declaration, signed by leaders of delegations representing Islam, Christianity, Buddhism, Judaism, Shinto, Taoism and Hinduism as well as NGOs and prominent politicians calls for "placing a particular focus on what religions hold in common rather than what divides them." These common views include the condemnation of terrorism on the basis "that justice can never be established through fear and bloodshed and that the use of such means is a violation and betrayal of any faith that appeals to human goodness and dialogue." President Nursultan Nazarbayev stated that the Declaration capped five years of work following the terrorist attacks on New York and Washington on Sept. 11, 2001.

"In the face of global threats the whole world has united in this goal: eradicate terrorism and confirm the values of humanism. An ideology of tolerance and dialogue must confront the ideology of terrorism," President told to the delegates. The Congress's participants confirmed their intention to reinforce the process of inter-religious dialogue and to meet again in Astana in three years' time. The Congress took place in a newly built Palace of Peace and Accord in the form of a pyramid. Inaugurated in early September, the building was designed by British



architect Sir Norman Foster as a permanent seat of the interreligious dialogue forum. A museum of Kazakh national culture, opera house for 1500 seats, civilizations' university, exhibition and concert halls, library, research centre for major faiths and offices of different religions will operate in the Palace. The hall, where religious leaders are supposed to meet, was designed on the pattern of the Sitting Hall of the UN Security Council in New York. The height of the building is 77 meters, the square is 25.5 thousands of square meters.

As Kazakhstan decided to provide a permanent venue for religious leaders to meet once in three years period, the third Congress was held on July 1-2, 2009 in Astana under the title of "The role of religious leaders in building a world of tolerance, mutual respect and cooperation", with the following sessions: "Moral and spiritual values"; "Justice, peace and security," "Environment and harmony," "Dialog and cooperation," "Solidarity and cooperation in the period of crisis."

At the first session religious leaders discussed moral and spiritual values as a part of human culture and tried to find the unified approach to understanding and defining spirituality. According to some people spirituality is a cultural heritage including language, art, music, literature, etc. Others believe that spirituality is closely linked to religion and religious values. They refer to secular and religious perceptions of the concept of "spirituality". The XX century focused on the secular meaning of the notion "spirituality". Harmonious spiritual values are the basis for harmonious determination of spiritual person in terms of agreed society-individual communication practice. Moral, spiritual and cultural values are interconnected. Spiritual values have cultural social purpose, for example, non-conflict relations, legal guarantee of work, harmonious existence resources management to fairly ensure good standards of life of every human being. Moral and spiritual values focus people and society on development of future generations. Ideals of spirituality become a conscientious imperative of existence harmonized with environment. Human being is emerged as a free and responsible individual who controls his position towards surrounding world.

At the second session participants discussed developments of modern world. By one group of religious leaders they were characterized as lacked of understanding and tolerance. At the same time interaction of religions, culture, and social development continues to significantly affect interstate relations and international stability as a whole. A logical result of this lack is the threat of destabilization of the contemporary international relations and destructive developments. This assertion is not an exaggeration bearing in mind that it implies problems of intercultural interaction and mutual perception of civilizational axes such as the West and the East. Immense and indisputable contribution of the Western and Eastern civilizations to the world history reflects the importance and relevance of the global scale task to lessen and overcome the most glaring contradictions between them. Nowadays these contradictions and reconciliation difficulties are seen at a glance that increases the need of their reconciliation. On

the one hand, instead of being a means of enriching every culture, globalization is becoming an instrument of depriving of cultural identities. It has been instilling the culture of consumerism. Consumerism brought to materialism when people attach greater importance to what they have rather than to basic human values. Global consumerism is establishing universal culture when ideas of justice are transformed into ideas of rational use. Over the last decade the aspiration to justice that has always been in a human nature has become of utmost importance. Continuously striving to universal justice human beings expressing themselves through diverse cultures continue to say about validity of various notions of fair order. These differences provide opportunities to use other values and merits.

The third session discussed the global aspiration to solidarity that has always been in a human nature has become of utmost importance. Continuously striving to universal justice human beings expressing themselves through diverse cultures continue to say about validity of various notions of fair order. These differences provide opportunities to use other values and merits. The global world where we live today is characterized by unstable world financial system that obviously affects every person. Today the world is on the threshold of food, spiritual and humanitarian catastrophes such as hunger, epidemics and environmental disasters. The world is still divided into the rich North and the poor South that does not solve existing regional problems but also creates new conflict zones and civil conflicts. The modern world witnesses a confirmation of Samuel Huntington's theory on clash of civilizations when values of Islamic and Christian civilizations are artificially opposed against each other through military conflicts and ideological "wars". International terrorism covering up its crimes by religious rhetoric aggravates the problem. To make things worse certain politicians trying to increase their popularity say that one religion that is destined to rule all the others and call their followers to reestablish "militancy, sacrifice and intolerance" and to find leaders that are ready to fight. That is why it is not a coincidence that there is an acute need to unite the activity of religious leaders to solve and prevent any religious conflicts. Today the global community needs to be united and make active steps to develop new forms of international cooperation that will make it possible to ensure stable economic growth and overcome global imbalances.

## Pyramid of Peace

It aspires to be one of the modern wonders of the world: a great pyramid, set in a new capital city on the central Asian steppe. The pyramid is intended to be a global centre for religious understanding, a symbol of world peace. Nelson's Column could fit inside it. Sounds fanciful? They start building it next month. It will open in June 2006 and it has been designed by Britain's Norman Foster.



Lord Foster, 69, has been hailed for some audacious buildings in his time, from the “gherkin” office for Swiss Re in London to Beijing’s new airport, currently the world’s biggest construction site. He even survived London’s “wobbly bridge” embarrassment. But nothing he has done to date compares with this latest commission. Nobody asks for buildings like this unless they happen to be President Nursultan Nazarbayev of Kazakhstan. With a massive oil, gas and mineral industry behind him, western investors eager to catch his eye and not much by way of political opposition, Nazarbayev can build whatever he wants in his showpiece new capital of Astana.

With Foster’s building he hopes to trumpet religious and ethnic reconciliation. He also wants an opera house to rival Covent Garden, a national museum of culture, a new “university of civilisation” and a centre for Kazakh ethnic and geographical groups. All these will be housed inside Foster’s pyramid, which is 203ft high and has a square base 203ft wide, sitting on a 50ft high artificial mound. This is not just a talking shop for clerics. Although, with a population split 50:50 between Russian Orthodox and Muslim and with extremism on the rise, it is not surprising that religion is on the president’s mind. He held his first congress of religious leaders in September 2003 and wants to make it a triennial event.

The pyramid, made of a diamond-pattern lattice of steel clad in pale silver-grey stone, will be topped by a coloured apex of abstract modern stained glass to be designed by the British artist Brian Clarke — a long-time friend of and collaborator with Foster. Bathed in the golden and pale blue glow of the glass (colours taken from the Kazakhstan flag), 200 delegates from the world’s main religions will meet every three years in a circular chamber — based on the United Nations security council meeting room in New York. The chamber is perched high beneath the point of the pyramid on four huge props intended, said Foster, to “symbolise the hands of peace”. A research centre into the world’s religions, complete with a large library, occupies the floor below. For the public, things are



Richard Jones

**Kazakhstan's modern wonder**

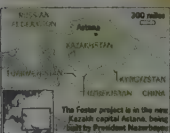
Foster has designed the ambitious peace pyramid in Astana



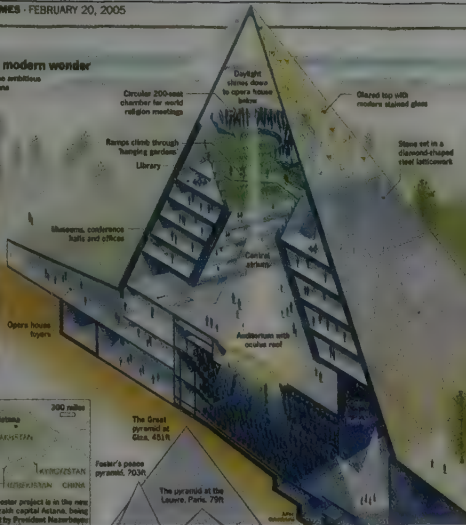
Foster's 300m Swiss Re tower in London was opened last year



City Hall has housed the capital's mayor since 2002



The Foster project is in the new Kazakh capital Astana, being built by President Nazarbayev



The Peace Pyramid in Astana, Kazakhstan, designed by Foster and Jones

no less spectacular. Inside the hill at the base is the 1,500-seat opera house. The auditorium has a circular glass ceiling set in the floor of the pyramid's gargantuan central atrium. From the floor of the sunken opera house to the peak of the pyramid is nearly 250ft. Lifts rising up the inward-leaning walls — rather like the legs of the Eiffel Tower — carry you up to a middle level.

At this point more drama begins as you enter what Foster's colleagues call "the hanging gardens of Astana". The atrium walls flare outwards, vegetation cascades on all sides from planters set into the walls. To get up to the unearthly light pouring down from the top of the pyramid, you must walk up zig-zag ramps through the gardens as if ascending to heaven.

Even Foster — not a demonstrative man — can hardly believe that he has this job. "A few months ago this didn't exist," he said as we stood in his studio in Battersea, south London, in front of a 6ft tall working model of the pyramid. The building's cost is a state secret, but if it were built in Britain it would cost hundreds of millions of pounds.

"It's the fastest thing we've ever done. They've ordered the steel and it starts to be built next month. The scale of what is happening in Astana is incredible."

So rapid has it been that Foster has yet to meet Nazarbayev, 64, a former steel worker who has led the country since independence from the Soviet Union in 1991. When the job first arrived, said Foster, he was away in France, faxing design ideas back to the office.

Nigel Dancey and David Nelson, his fellow directors, have presented the designs in Nazarbayev's new presidential palace, which the pyramid will face across the River Ishim on a new three-mile boulevard.





Astana, a city of unique architecture and spirit

The president works surrounded by models of the new Astana. He is pouring billions of dollars into it — despite the reported reluctance of his ministers, and international airlines, to move there from the old capital of Almaty near the Chinese border. “It’s fairly bleak and very new,” said Dancey. “It’s growing so quickly that it hasn’t really found its own identity yet. I’ve never seen anything like it.”

The climate is one problem. Temperatures in Astana range from minus-40C in winter to plus-40C in summer.

Foster chose the pyramid shape because it has no negative religious connotations. “It is primarily a cultural centre, but because it will host a peace congress of 18 religions it becomes something else. It is about religion, peace and coexistence,” he said. “It is dedicated to the renunciation of violence and the promotion of faith and human equality.” (Article from “The Sunday Times” of 20 February 2005 on the “Pyramid of Peace” in Astana designed by Lord Foster).

## KAZAKHSTAN'S POSITION ON SOME KEY INTERNATIONAL ISSUES OF TODAY

International terrorism, drug trafficking and other new threats (interethnic and interconfessional conflicts, humanitarian crises, poverty and epidemics, illegal migration, man-made environmental disasters etc.):

Kazakhstan believes that these new threats to global and regional peace and stability reflect the “dark side” of globalization and therefore addressing them successfully and efficiently requires a genuine collective will and effort of the whole international community.

True identification of the underlying root causes of these threats, on the one hand, and genuine collective efforts to secure practical steps and resources to address them, on the other, could guarantee success in offsetting these challenges. It is widely believed that in many cases the root causes lie in economic and political underdevelopment and degradation. Comprehensive and genuine agreement on collective mechanisms and instruments to address them is therefore essential.

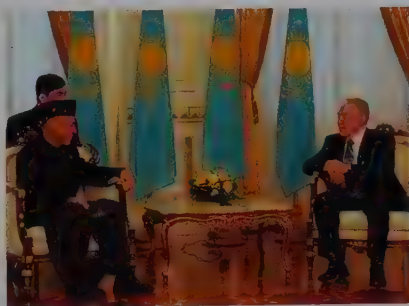
Thoroughly revamped UN and its Security Council are capable of becoming the best choice to accomplish the above two-fold task. Therefore, Kazakhstan strongly supports an early and well-thought reform of the UN and entrusting it with a true coordinating role in the struggle against the new threats. In the era of globalization and multilateralism renewed and strong United Nations, as a genuinely universal body and authority, can best serve the goals of development as well as preserve the cultural diversity of the global civilization.

Kazakhstan commits itself to fully cooperate along these tracks on global and regional levels.

Afghanistan and Kazakhstan's efforts to stabilize and reconstruct the country

Afghanistan plays a crucial role in the long-term security and stability in Central Asia. That's why rehabilitation of this country is a major foreign policy priority of Kazakhstan who strongly favours a comprehensive and continued international effort to bring lasting peace and economic development to Afghanistan. The United Nations should provide the best aegis for such an effort.

Kazakhstan also stands for more regional involvement to the solution of Afghan problem and, in this regard, fully supports new strategy on Afghanistan declared by US President Barack Obama which contains comprehensive vision on how to operate in “AfPak” zone.



Over the last years Kazakhstan made significant contribution to stabilization of Afghanistan. In 2001, Kazakhstan provided no-cost over-flight rights for “Enduring Freedom” operation. Similar arrangements have been developed and adopted between Kazakhstan and Germany at the end of 2007. In 2002, Kazakhstan offered its emergency landing air fields for US military and cargo planes. At the request of the U.S. since January 2009 Kazakhstan made its rail and motor roads available for transit of shipments needed for NATO and U.S. forces in Afghanistan.

Kazakhstan has launched several humanitarian projects of its own and multiple missions with official and business representatives visited Afghanistan in 2006-2007. Kazakhstan considered these steps as a follow up to its previous engagement in Afghanistan.

In accordance with Bonn Process, 2006 London Conference, 2008 Paris Donor Conference on Afghanistan Kazakhstan has undertaken next steps in 2006-2009.

- Humanitarian aid to Afghanistan (\$ 1 mln.)
- Scholarships for 100 Afghani students to study in the national universities (geology, engineering, etc.).
- Kazakhstan has initiated training programs for Afghanistan’s police and internal security service.
- Conclusion of the Memorandum of Cooperation between “Investment Fund of Kazakhstan” and Ministry of Mines and Industry of Afghanistan (spring, 2007), which can serve as a basis of Kazakhstan’s participation in the development of Afghanistan’s mining industry in Loghar and Bamiyan provinces.
- Kazakhstan also signed with Government of Afghanistan a Protocol of Intentions to build railway road Termez (Uzbekistan) – Kabul (Afghanistan) – with further access to the transport infrastructure of India.
- Kazakh-Afghan Intergovernmental Commission on Trade and Economic Cooperation is formed to touch upon such important issues as infrastructure development, including construction of railway roads and motorways, as well as investments into various industries of Afghanistan.
- In November 2007, during Kazakh National Exhibition in Kabul, Kazakhstani companies signed contracts totaled \$85 mln.
- Kazakhstan strongly promotes Afghanistan’s involvement in implementing Trade and Investment Framework Agreement (TIFA) for the economic benefits of Afghanistan’s people.

Kazakhstan is the only Central Asian country which has the Assistance Program on Reconstruction of Afghanistan. In 2007-2008, Governmental Action Plan on Assistance to Afghanistan has been successfully accomplished. Total financial funding in sum of \$ 3 mln. has been provided to restore agricultural seed supply of Afghanistan (\$0.5 mln.), to build a school in Samangan province (\$0.28 mln.), a hospital in Bamiyan province (\$0.57 mln.) and a road (\$ 1.65 mln.).



Under the next Governmental Action Plan on Assistance to Afghanistan for 2009-2011 Kazakhstan allocates \$5 million for projects related to water supply, infrastructure development and delivery of grains and other commodities. Besides, Kazakhstan is ready to provide an enhanced education program to Afghans in a variety of fields.

Kazakhstan has actively participated in the UN Conference on Afghanistan in Hague in March 2009. Head of Kazakhstan's delegation – Deputy Minister of Foreign Affairs Mr. Nurlan Yermekbayev informed about Kazakhstan's further contribution as a part of economic rehabilitation of Afghanistan and drew attention to the need for involving the SCO and CSTO in the formation of belts of anti-terrorism, anti-drug and financial stability in the region.

In the latest development, Secretary of State and Minister of Foreign Affairs Kanat Saudabayev paid an official visit to Afghanistan on November 22, 2009. During the visit he had meetings with President Hamid Karzai and Afghanistan's Minister of Foreign Affairs Rangin Spanta. The most important document signed during the visit was an agreement on cooperation in education, under which, within the next five years, Kazakhstan will allocate 50 million dollars to educate 1,000 Afghan students at Kazakhstan's vocational colleges and universities. Beginning in 2010, Kazakhstan will annually receive 200 students from Afghanistan for training in various specialties, ranging from doctors and teachers to experts in the field of law enforcement and border protection, from engineers and agronomists to journalists.

"This program was organized at the initiative of President Nursultan Nazarbayev, who believes it is absolutely important for international efforts to stabilize Afghanistan to include such constructive measures and the engagement of that country into social, economic and humanitarian interaction. Our assistance to Afghanistan is also a contribution to ensuring the stability and development of our entire region," Minister Saudabayev stated to the mass media after signing the agreement.

## **Iraq**

Kazakhstan believes that UN should play an active and effective role in further political and economic rehabilitation in Iraq in close cooperation with the Iraqi Authorities and international community. Joint efforts should ensure full respect of independence and territorial integrity of Iraq, as well as the sovereignty of Iraqi people and their right to determine for themselves their own political future.

As part of the International Stabilization Forces in Iraq Kazakh military engineers unit was stationed in Iraq under the US command since 2003. It consisted of 25 people in Engineer Battalion, 4 officers in the Multi-National Force in Bagdad and Multi-National Division – Centre South.



During its mission in Iraq the squad has destroyed 4 millions units of ammunition. Kazakh doctors, together with their foreign colleagues rescued the lives of more than 500 Iraqi citizens, one third of whom are children.

In October 2008, Kazakhstan withdrew its peacekeepers from Iraq upon request from the Iraqi government, based on improvements in the security situation within the country and the belief that Iraqi security forces were capable of taking on these functions.

### **The Middle East**

Kazakhstan is for fair settlement of confrontation with full account of legitimate interests and rights of the Israeli and Palestinian people and would welcome serious and unconditional steps towards peace and cooperation on the part of both sides. Such a settlement should also take care of the rightful concerns of other sides involved to ensure that peace and confidence prevail in the region.

There should also be a genuine consensus among the four Sponsors of the Middle East process.

The US initiated “Road Map” plan can serve as a guide to produce such a settlement along the formula “land for peace” and peaceful coexistence of Israelis and Palestinians.

Taking into consideration its constructive foreign policy and friendly relations with all parties of Middle East process, Kazakhstan considers establishing the Office of its Special Envoy on humanitarian and economic issues in the Middle East under the auspices of Quartet’s Middle East envoy Tony Blair.

### **Iran’s nuclear program**

Kazakhstan as a state that voluntarily renounced nuclear weapons is strongly committed to the principles of non-proliferation and inadmissibility of using nuclear energy for military purposes. The situation around the Iranian nuclear program directly affects the security environment on regional and global scales.

Kazakhstan confirms the right of the states parties to the Treaty of the Non-proliferation of Nuclear Weapons to carry out research activities in the nuclear field and sovereign right to use atomic energy for peaceful purposes provided a steadfast compliance to the transparency and non-proliferation regime under the IAEA safeguards as well as close cooperation with the UN. Kazakhstan also confirms its strong belief in the need to use diplomatic methods to resolve acute issues of international relations, including the issue of the Iranian nuclear programme. Kazakhstan supports diplomatic efforts undertaken by interested countries to resolve the issue.

Kazakhstan welcomes the statements made by US President Obama that the United States would seek a world without nuclear weapons and that Washington is ready for a dialog with Iran based on mutual interests and mutual respect.

In this context, Kazakhstan, as a country which has signed the Nuclear Nonproliferation Treaty and voluntarily renounced nuclear weapons, considers hosting international nuclear fuel bank under the IAEA auspices. The idea of international fuel bank proposed by "The Nuclear Treat Initiative" provides for the creation of a global repository which would allow countries to tap into its reserves to fuel their nuclear plants without the need to develop their own nuclear enrichment capability.



## START Treaty

Kazakhstan supports President Obama's plans for reducing the U.S. stockpile of nuclear weapons and production of fissile materials. In this context we recognize the importance of the work done by the USA and the Russian Federation on the Strategic Arms Reduction Treaty (START Treaty) to reduce their nuclear arsenals. Bearing in mind its expiration at the end of 2009, Kazakhstan stands for speeding up negotiation process on new and verifiable reductions in strategic offensive arsenals. In our opinion a new document should contain concrete measures on reduction of strategic delivery systems and nuclear warheads. We also welcome the practice within the Conference on Disarmament to discuss openly the status and pace of nuclear reductions. Nevertheless, it is not enough to ensure the irreversibility of the process. Much more efforts are needed to pave the way towards a nuclear-weapon-free world.

## KAZAKHSTAN'S OSCE CHAIRMANSHIP IN 2010



Kazakhstan is the first Central Asian and former Soviet Union state to assume Chairmanship in the Organization for Security and Cooperation in Europe (OSCE). Kazakhstan considers its chairmanship a great honor and a great challenge and has worked hard in 2009 within the OSCE “Troika” to be prepared for its duties. To support its new and important role as the chairman of Europe’s largest security organization, Kazakhstan initiated a new program, “Path to Europe”, which facilitates cooperation with European countries in economic, technological and political dimensions.

### KAZAKHSTAN'S PREPARATION FOR OSCE CHAIRMANSHIP IN 2010

Following the OSCE Ministerial Council meeting held in Madrid in November 2007, a decision was made for the Republic of Kazakhstan to assume OSCE chairmanship for 2010. The coming chairmanship has become a priority area of Kazakh foreign policy and various integrated efforts have already commenced. Since the beginning of this year, we have engaged as the OSCE “Troika” member together with our Finnish and Greek partners.

Our major task is to identify priority goals as the future OSCE Chair under its three dimensions. Enhancing the OSCE’s effectiveness, strengthening its weight among participating States is one of the guiding principles, which determine our agenda.

As the future OSCE Chair, our country is determined to develop all three OSCE dimensions. Eliminating imbalances will be instrumental in achieving the goal of restoring Helsinki spirit through ensuring indivisible and comprehensive security.

Following is the brief overview of Kazakh efforts in this regard to date.

1. Institutional and Human Resources Groundwork. In order to conduct ongoing consultations between Astana and Vienna and to coordinate work with all OSCE countries, Kazakhstan established an independent Permanent Mission to the OSCE in 2008 and has also created an “OSCE Task Force” at the Foreign Ministry of the Republic of Kazakhstan.

To receive training, diplomats and officials participated in internships at the OSCE, European training centers, and foreign ministries of nations that chaired the Organization previously in 2007 and 2008. Roughly 80 diplomats and officials from line agencies of the Republic of Kazakhstan have completed training. In addition, the country has established the institute of “liaison officers” responsible for coordinating chairmanship work in key OSCE capitals.

Kazakh personnel training effort is ongoing. For 2009, extensive training courses have been made for 80 diplomats in the “Task Force,” covering priority

areas of OSCE operations, as well as team-building with the OSCE Secretariat, the ODIHR, other OSCE entities, and members of future Task Forces (Lithuania).

To strengthen operational capabilities in the OSCE context and boost the professional standards of Kazakhstani diplomacy, work is underway to bolster the nation's representation in the Organization's structures.

In 2010, Kazakhstan is to address a number of human resources issues associated with appointing new officials or extending the mandates of High Commissioner for National Minorities Knut Vollebaek, OSCE Representative on Freedom of the Media Miklos Haraszti, heads of the field missions to Serbia and Montenegro, and the deputy head of the mission to Moldova who are to be appointed a new, as well as one-off appointments associated with the establishment of OSCE election monitoring missions.

2. Kazakhstan's work in OSCE's Troika. Since January 1 this year, Kazakhstan has been a member of OSCE's governing "Troika." As such, Kazakhstan aspires to ensure coordinated operation of line agencies in Kazakhstan in keeping with the tasks assigned to Kazakhstan within Troika and as OSCE's CiO. It also is establishing an interagency commission as an institute for interaction among line agencies.

On March 17, 2009, Kazakhstan participated in the first joint meeting of OSCE and EU Troikas, which discussed the Georgian and Balkan issues, plus the European security architecture. The meeting demonstrated high relevance of the OSCE-EU consulting mechanism, which will assume an even greater significance in 2010 when Kazakhstan, being a non-EU country, takes the chair.

As a Troika member, Kazakhstan has assumed the leadership of the Group for Cooperation with OSCE's Mediterranean partners (Algeria, Egypt, Israel, Jordan, Morocco, and Tunisia) whose work will center on tolerance.

3. Chairmanship transfer from Greece to Kazakhstan. In October 2009, Kazakhstan assumed chairmanship in the Advisory Committee on Management and Finance. Aware of the importance and challenges of achieving consensus on OSCE budget approval issues, Kazakhstan, in its capacity of the Chair, became involved in the Organization's 2010 budgeting process well in advance to finalize new contribution scales, achieve closer linkage between annual budgeting and medium-term program planning, and establish program benchmarks. This has come to be our "know-how," on which OSCE fund managers have placed high value.

Fall 2009, Kazakhstan has chaired OSCE's Economic and Environmental Forum. In this context, Forum was held in Astana. OSCE countries have approved Kazakhstan's proposed topic for the event, "Promoting Good Governance at Border Crossings, Improving Land Transportation Safety, and Facilitating International Motorway and Railway Communications in the OSCE Area."

4. OSCE chairmanship agenda of the Republic of Kazakhstan. Kazakhstan has drafted an OSCE chairmanship concept and is preparing a list of priority objectives in dialog with its partners. We are ready to pursue a formula for promoting the proposed priorities that would be suitable to all, including achieving mutual



concessions on contentious issues. Kazakhstan will adhere to a balanced position while focusing on areas and sub-topics that have consensus potential.

Work on this agenda is based on following principles:

- Importance of preserving the traditionally concise list of priorities and the “added value” principle (i.e., the kind of contribution Kazakhstan could make to OSCE’s development);
- Potential for introducing selected novel points in OSCE activities or potential for ensuring certain positive shifts therein;
- Specific areas of the OSCE activities, through which Kazakhstan may be instrumental in strengthening them thanks to its geopolitical position, specifics of the nation’s socio-economic and political development, as well as regional factors; and
- Relevant experience and expertise available within the OSCE, including for the purpose of ruling out any duplication of efforts with other international bodies.

In keeping with the existing practice, Kazakhstan’s chairmanship agenda was formally presented in January 2010.

In the military-political dimension, Kazakhstan, guided by the principle of continuity in OSCE activities, intends to focus on meeting new challenges and counteracting new threats (such as terrorism and extremism, organized crime, and various trafficking) and on maintaining stability across the OSCE space, particularly in Central Asia.



It will work to leverage OSCE capabilities for post-conflict rehabilitation of the Islamic Republic of Afghanistan and to strengthen its borders along the perimeter of the Organization's Central Asian member states. A conference on Afghanistan is contemplated for 2010, along with the implementation of selected projects already scheduled.

It is likely that the so-called "protracted conflicts" will remain the focal point of our chairmanship. Monitoring and identifying any positive signals or signs of possible escalation of conflicts, as well as engaging preventive mechanisms of political consultations, should become the key instrument in this sphere during our Chairmanship.

In the economic and environmental area, Kazakhstan intends to focus on developing Eurasia's transit and transport potential and continental transport corridors. Furthermore, there are plans to tap into OSCE capability to resolve regional environmental problems that have a global impact, such as saving the Aral Sea (since the beginning of 2009, Kazakhstan has chaired the International Aral Sea Rehabilitation Fund and intends to re-energize its work).

In the humanitarian area, Kazakhstan intends to primarily focus on promoting tolerance and inter-cultural dialog within OSCE's space. Given Kazakhstan's experience in this field, these efforts may represent the very "added value" of our chairmanship.

Once the country assumed leadership of the Group for Cooperation with OSCE's Mediterranean Partners earlier this year, tolerance was selected as the basis for the agenda of the Group's key events. On the eve of the Third Congress of the Leaders of World and Traditional Religions on July 1-2, 2009 (the global tri-annual event initiated by Kazakhstan in 2003 to promote interfaith dialog), Kazakhstan intends to hold a tolerance roundtable to be attended by the Mediterranean partners, three personal representatives of the OSCE's Chairman-in-Office on tolerance and non-discrimination, the Secretariat, and ODIHR/OSCE.

Consideration is being given to convene a 2010 Conference on fighting intolerance that would cover all key areas (such as anti-Semitism and bias against Christians and Muslims). The event could be dedicated to reviewing the implementation of decisions taken by the OSCE's Tolerance Implementation Meeting on Promoting Inter-Cultural, Inter-Religious and Inter-Ethnic Understanding, held in June 2006 in Almaty, Kazakhstan, as well as reviewing other OSCE conferences on related matters.

In its work to strengthen tolerance, Kazakhstan, in close coordination with three personal representatives of the OSCE's CiO on religious tolerance, intends to promote its experience of inter-faith concord as to make the maximum substantive impact. In addition, coordinated implementation of that priority will be sought both within the OSCE and other multilateral organizations, which Kazakhstan is to chair in the coming years (OIC – 2011, and others). In December 2009 in Athens, OSCE foreign ministers agreed to hold an OSCE High Level Conference on Tolerance and Non-Discrimination in Astana on June 29-30, 2010.

The year of Kazakhstan's chairmanship is a landmark year for the OSCE, being the 35th anniversary of the Helsinki Final Act, the 20th anniversary of the Charter of Paris for a New Europe, and the 65th anniversary of the end of World War II. These dates offer a good reason for a serious analysis of the Organization's role and its future.

In this regard, the issue of holding an OSCE Summit, the last of which took place in 1999, exerts substantial influence on the OSCE's future. Many believe that a unique agenda for the Summit could include Dmitry Medvedev's initiative backed by Nicolas Sarkozy, which calls for the development of a binding European Security Treaty on the OSCE platform. Kazakhstan is fairly flexible on such matters, given the Summit's timing and venue; it has held relevant consultations in this regard, including with the Chairman-in-Office. In Athens, OSCE foreign ministers agreed to consider in principle holding such a summit, provided substance and modalities are worked out ahead of time.

Aware of the symbolic significance associated with the year of its chairmanship, Kazakhstan is ready to work on the following objectives:

- Improving the OSCE's effectiveness recognizing that conflicting approaches exist concerning adopting the Charter and the Convention on the International Legal Personality, Legal Capacity and Privileges and Immunities.
- Supporting activities of the ODIHR, with which Kazakhstan maintains a good relationship and follows the Office's recommendations as it seeks to improve its national legislation. Kazakhstan supports preserving and strengthening the ODIHR mandate. In this area, Kazakhstan believes it is important to invariably maintain an "honest broker" position and a strong line for promoting a dialog among all parties while relying on the principles enshrined in the ODIHR mandate.
- Establishing a full-fledged dialogue between the Organization's Parliamentary Assembly and the ODIHR, mostly on election-monitoring matters.

These preliminary ideas outlined in this document will continue to evolve as Kazakhstan prepares to assume the Chairmanship. They are part of our ongoing bilateral and multilateral consultations at different levels, which continued to the end of 2009. Upon finalizing this process, the Chairmanship agenda was to be formally presented in January 2010 at the first meeting of the OSCE Permanent Council.

**MESSAGE FROM PRESIDENT  
NURSULTAN NAZARBAYEV  
ON THE OCCASION OF KAZAKHSTAN'S  
ASSUMING THE CHAIRMANSHIP IN THE OSCE  
JANUARY 2010**

Kazakhstan is assuming a highly important mission of the Chairmanship in the Organization for Security and Cooperation in Europe (OSCE) with a sense of great responsibility.

Our country will start its chairmanship at one of the most complicated periods in modern history.

Because of the global financial crisis, tectonic shifts are taking place in the global order, and this process is still far from its completion.

The erosion of the regime of non-proliferation of weapons of mass destruction, terrorism, humanitarian and ecological disasters, famine, poverty, epidemics, reduction of energy resources, conflicts on inter-ethnic and inter-religious grounds, such is a far from complete list of challenges faced by the modern civilization requiring maximum efforts of reputable multilateral institutions like the OSCE.

There is no doubt the current situation in the world makes even harder the test which Kazakhstan will have to pass as a country chairing the OSCE. The most pressing problems, however, which the OSCE now faces, have always been at the heart of our foreign policy.

Since its independence, Kazakhstan has made a real contribution to strengthening regional and global security. The shutdown of the Semipalatinsk nuclear test site, the voluntary renunciation of the world's fourth largest nuclear and missile arsenal and complete elimination of its infrastructure are the historic decisions our country has made.

Recently, at Kazakhstan's initiative, the UN General Assembly has adopted a resolution proclaiming August 29 the International Day against Nuclear Tests.

Kazakhstan is fully aware of its role as a responsible player in regional and global economic processes. As a country exporting the increasing volumes of hydrocarbons to the world market, our country make a significant contribution to ensuring global energy security, including that of the European countries.

As a major exporter of grain and other foodstuffs, Kazakhstan is actively promoting the implementation of the Millennium Development Goals (MDGs) in order to end hunger and ensure food security.

Kazakhstan's initiative to convene the Conference on Interaction and Confidence-Building Measures in Asia (CICA) has now become a unique multilateral instrument for Asian security and cooperation.

Nowadays, this forum, an OSCE analogue for Asia, brings together countries, which provide one third of the world's GDP with a total population of approximately three billion people.



The top priority for Kazakhstan is Central Asia's sustainable development. The growth of our economy positively affects the region as a whole.

Together with other OSCE member states, Kazakhstan fully supports efforts aimed at bringing the East and West together in order to develop better understanding of the key issues of the modern world.

The multi-ethnic and multi-religious composition of our population is a special trait of our country. Representatives of more than 140 nationalities and 40 confessions live together as one big family in Kazakhstan.

Our model of inter-ethnic and inter-religious accord is Kazakhstan's real contribution to the global process of interaction between different religions. At my initiative, since 2003, Astana has hosted three Congresses of Leaders of World and Traditional Religions, which created a unique forum for interfaith dialogue.

Against this background, we consider the OSCE with its unique geographical coverage, experience of interaction and developed instruments one of the key mechanisms for ensuring international security and cooperation. An organization has played and continues to play an important role in maintaining the security architecture in the area from Vancouver to Vladivostok.

At the same time, positive historical resources of the OSCE are limited. Today, it is impermissible to continue endless drawing of the so called "red lines" and playing "zero-sum games" which diminished its credibility.

The improvement of the effectiveness of international organizations in meeting new global challenges has come to the fore. That is the exact task for the OSCE, a unique dialogue platform bringing together 56 states located on three continents.

The decisive question for the OSCE in the future is whether it can turn into a structure which recognizes the diversity of the 21st century world, or it will remain as an organization segmented into blocks where the West stands apart from the space "from the east of Vienna"?

Stereotypes of the "former Soviet republics" continue to dominate the minds of some of our OSCE partners despite the fact of our almost 20 years experience of integration into the global democratic community.

In this context, the trust given by OSCE member states to us, bears a special importance for Kazakhstan. Building a democratic society has been a conscientious choice of our people, and we will continue further political liberalization of our country and improving the quality of life for the people of Kazakhstan. Our OSCE chairmanship is considered within the country not only as a foreign policy success, but also as a value on a national scale.

In accordance with OSCE traditions, we declare the motto of our chairmanship, symbolizing the content identification of a chairing nation.

The motto of Kazakhstan's chairmanship will be four Ts, "Trust", "Tradition", "Transparency" and "Tolerance". The first means trust that is necessary for all of us. The second word means our commitment to the fundamental principles and values of the OSCE. The third word means maximum openness and transparency in international relations, free from "double standards" and "dividing lines", as well as a focus on constructive cooperation in order to address the challenges and threats to security.

Finally, the fourth word is a reflection of global trends on strengthening of intercultural and inter-civilizational dialogue, which is gaining high importance in today's world.

Kazakhstan considers the expansion and strengthening of the consensus base on fundamental issues of development as one of the key tasks for the OSCE. A 10 year break since the previous OSCE summit is an illustration of the fact that the consensus basis is in stagnation, if not in crisis. In this regard, we call upon the OSCE member states to support Kazakhstan's initiative to convene a summit in 2010.

Such a meeting of OSCE leaders will provide an opportunity to celebrate the 35th Anniversary of the Helsinki Final Act, the 20th Anniversary of the Charter of Paris and the 65th anniversary of the end of World War II.

The substance of the Summit could include a topical issue of security agenda in the OSCE area of responsibility, as well as the situation in Afghanistan and issues of tolerance.

It is the time when leaders of OSCE member states should demonstrate their political will and outline solutions to the difficult challenges facing our nations.

The summit will not only give a powerful impetus to adapting the OSCE to modern challenges and threats, but also increase the confidence and respect among our peoples to the Organization itself.

Finally, it is the direct responsibility of the heads of state and government to work towards strengthening security and cooperation for the benefit and prosperity of people who elect them.

Meanwhile, the OSCE is an organization that cannot be replaced. Its stagnation or disappearance would create a volatile vacuum in Euro-Atlantic area.

In this context, we suggest declaring August 1, the day of signing of the Helsinki Final Act, the OSCE Day.

Kazakhstan will try to focus on achieving the optimum balance among all three OSCE "baskets". Such an approach would allow to see problems in their entirety, effectively confront not only external manifestation of modern challenges and threats, but also to work with the sources of their origin.

Kazakhstan as the OSCE Chairman is firmly committed to the fundamental principles and values of the OSCE. We intend to find mutually acceptable solutions in the interests for all member states of the Organization.

Kazakh folk wisdom says: "Birlik bolmay tirlik bolmas - Without unity, there can be no life." Our country considers the OSCE in the 21st century as a single space of democracy, stability, and prosperity for all the peoples living in it.

## KAZAKHSTAN'S STEPS FORWARD ON THE ROAD TO DEMOCRACY

By many countries in Europe and the United States Kazakhstan's efforts to reform its political system are considered as a part of its preparations to chairmanship in 2010. The year 2008 marked an important shift in Kazakhstan's focus on further political reform. The impetus for this shift was a major constitutional reform announced in May 2007 that granted more governing powers to the elected national legislature as the country gradually moved from a strong presidential form of rule towards a presidential-parliamentary system.

With this shift, Kazakhstan introduced the basics of the parliamentary majority system, under which parliamentary elections would adopt a political parties-based system versus a single constituencies-based system.

Recognizing that shifting to a full-fledged parliamentary majority system would take time Kazakh authorities were not surprised that the first parliamentary election in August 2007 produced mixed success.

However, the election did become the focus of international observers, namely the Organization for Security and Cooperation in Europe, as Kazakhstan announced its bid for the OSCE Chairmanship. Although OSCE observer mission saw the election as a "welcome progress," many shortcomings remain. The major drawback for the authorities and others was that the public elected a one-party parliament even though seven parties were represented in the race.

The prevailing mood among OSCE membership was that the job required robust democratic performance by the candidate. While endorsing Kazakhstan's Chairmanship for 2010 in Madrid in December 2007, the OSCE member states expected meaningful democratic progress to evolve in Kazakhstan beginning in 2008. Further perfection of the election legislation and process, genuine support for political parties' growth, meaningful improvements in the media sector and local governance are among those areas identified as the most important for further reform.

The OSCE Ministerial meeting in Helsinki on December 4-5, 2008 was regarded by many as an appropriate opportunity to review Kazakhstan's progress in its ascent to the Chairmanship. Although it was broadly recognized in Helsinki that Kazakhstan "was moving in the right direction," the country faced some criticism, particularly from international human rights NGOs and some Kazakh opposition groups claiming that Kazakhstan did not live up to its promise.

By tradition, their widely publicized reports have been picked up by international observers and media. So, for purposes of balance and a genuine, informed debate, Kazakhstan offers its own account of events.

"The Madrid commitments" and improvements in Kazakh Legislation. In February 2009, Kazakhstan signed into law new legislation regarding the media, elections, political parties, and local government. Through close cooperation and intensive discussions with NGOs, political parties and OSCE institutions,



Kazakhstan incorporated many of their proposals into the final draft of the new legislation. The ODIHR and the Office of the Representative on the Freedom of the Media were very active and most helpful in bringing Kazakh laws in line with OSCE standards. As Chargé d’Affaires of the U.S. Mission to the OSCE Kyle Scott stated at the OSCE Permanent Council in Vienna: “This legislation marks a step forward on Kazakh path to democracy.”

The law on elections. Twenty-nine amendments signed into the law on elections have further perfected the electoral process in Kazakhstan. Five of them were recommended by the ODIHR/OSCE. Eight of them were recommended by Kazakh human rights community, in close cooperation with U.S. human rights NGOs, including Freedom House. The law now:

- Guarantees representation of at least two parties in the Parliament even if one of them does not win enough votes (i.e., over a 7 percent threshold). It excludes the possibility to elect a one-party Parliament;
- Makes it mandatory for the media to equally cover the candidates and parties, including the period of nomination and registration;
- Cancels any requirements for thousands of foreign observers, who usually come to Kazakhstan during elections, to have any relevant experience to monitor electoral process;
- Decentralizes authority of the Central election commission in favor of local election commissions. Now local election commissions have greater authority in organizing the electoral process, such as determining their schedules to make them more convenient for the voters;
- Increases salaries for non-public servant members of election commissions at the election periods;
- Authorizes the Central Election Commission to strictly regulate the process of issuing absentee ballots.

The law on political parties. Seven amendments signed into the law on political parties partly reflect recommendations made by the OSCE and Kazakh human rights community, in close cooperation with U.S. human rights NGOs, including Freedom House. The original goal of the amendments is to further liberalize and expand the space for political debate. The law:

- Significantly reduces the number of requirements for registering a political party (in the new text of the law even a party that submits erroneous lists of its members cannot be denied registration on these grounds);
- Decreases required membership size for a party to be registered (now a party needs to have only 600 members in each of the country’s regions and 40,000 members nationwide to be registered as a national political party);
- Simplifies the registration process and the funding of political parties to strengthen their role in public life;
- Regulates the legal and technical process of establishing (merger, incorporation, split-up or split-off) a political party (the ODIHR recommendation);
- Provides public financing of political parties.

The law on mass media addressed the concerns that have been recently



voiced by the media community. It has been amended to increase the rights of journalists and media to ensure greater self-regulation. The amendments reflect the recommendations of the ODIHR. The law:

- Removes administrative barriers and re-registration requirements for mass media.
- Extends the rights of journalists. For example media representatives are not required to ask for permission to use recording equipment when conducting interviews.
- Provides the right of a citizen to demand retraction of the published defamation or slander if a person who published this information cannot support the allegations with facts.
- Denies this right to citizens, thus upholding the adversarial principle in the court's deliberations.

The law on local self-government codifies local self-governance in the regions (oblast), districts, cities, districts within the cities, towns and villages; significantly increases the political role of Maslikhates (local elected legislatures) and improves effectiveness of a "checks and balances system" between maslikhates and akimates (local executives). The law reflects the experience of both France and Britain in providing local self-governance. It includes attributes of the European Charter on local self-government, is generally in line with the final document of the 1990 Copenhagen Meeting and reflects the vision of the United States on independence of local governance.

Members of Maslikhates are elected by people of a region. They approve regional development programs, claim the regional budget, and are accountable to voters. Voters have the right to request a report on the work of members of Maslikhates, as well as to recall them in case of duties' breach.

Heads of Akimats (akims) appointed by the President of Kazakhstan take the office only after approval by Maslikhate. They are accountable to Maslikhates on budget issues. The law also lowers the needed majority (to 51 percent) for Maslikhates to vote Akims out of office.

Amendments to the Law on Religious Freedom. On February 11, 2009, Constitutional Council of Kazakhstan, overseeing the compliance of government policies with the Constitution, ruled that the long-discussed amendments to the law on religious freedom are inconsistent with some articles of the country's Constitution.

In spring 2008, members of the public and the country's parliament initiated the amendments. After intense discussions with Kazakh civil society, domestic and international human rights groups, as well as the OSCE Office for Democratic Institutions and Human Rights, they were endorsed by the Parliament and submitted to the President to be signed into law.

President Nazarbayev, however, chose to verify that the new legislation was consistent with Kazakhstan's Constitution and passed the draft for Constitutional Council's review. On February 11, 2009, after a careful review and month-long debates over the document, Chairman of the Constitutional Council, Mr. Igor



Kazakhstan is home to the people of many ethnicities and religions.

Rogov, announced that “the amendments to the law on religious freedom are inconsistent with the Constitution of the Republic of Kazakhstan.”

He explained that the proposed legislation violated a number of Constitutional norms, including Paragraph 3 of the Article 39 of the Constitution, which stipulates that human rights and freedoms “shall not be restricted in any way” as well as Article 14, which prohibits discrimination on religious basis. Besides, Chairman Rogov found the draft to be inconsistent with Article 19, which states that everyone has “the right to determine and indicate or not to indicate his/her ethnic, party and religious affiliation.”

The final ruling of the Council was produced during two-day open hearings, whereby the participants of the debate were clearly divided over the issue. Some thought that the amendments would strengthen Kazakhstan’s national security in a volatile environment and protect peace and domestic stability in the country. Others advocated stronger protection of religious diversity and tolerance historically intrinsic in Kazakhstan.

The Council’s final ruling identified that the draft amendments were inconsistent with Kazakhstan’s Constitution and they have not come into effect.



Boxing is all but a national sport in Kazakhstan - Olympic Champion Bakhtiyar Artayev



Smirre, Kazakhstan's 1994 Winter Olympic Games Champion Vladimir Smirnov

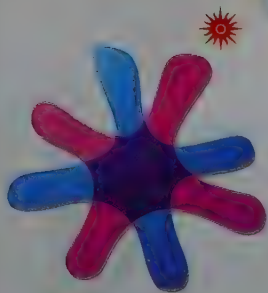


Leaders of professional road bicycle racing team ASTANA



White water rafting is gaining popularity





stana - Almaty  
ASIAN WINTER GAMES  
2011



Мақсаты Бірдің - рухы Бір!<sup>TM</sup>  
Unity of purpose - unity of spirit!





Hockey is a game for real men. Astana's Barys team is fighting for the puck



Daring girls from Kazakh National Volleyball Team



Kanafiya Telzhanov's *The land of forefathers* (1958)



*Happiness* by Salihitdin Aitbayev has a cult status in Kazakh arts





A Kazakh Yurt by Nikolai Khudov (1891)



Traditional head-dresses painted by Gulfairus Ismailova (1967)



Fascinating tunes of Aiman Musahodzhaeva, a renowned violinist



A traditional seesaw called 'altybakan' in Kazakh







## TOURISM

The Republic of Kazakhstan attaches fairly great importance to the development of present-day infrastructure including tourism.

Accordingly, agreements have been signed on co-operation in the field of tourism with Turkey, Iran, Xinjiang Uigur Autonomous Area of China, Moldova, Hungary, the State of Israel, Kyrgyzstan and Egypt. Currently at the stage of preparation are intergovernmental and interdepartmental agreements with Croatia, Pakistan, Singapore and China.

In 1993, the Republic of Kazakhstan became a full member of the World Tourism Organization.

The body that accomplishes state management in the field of tourism in the Republic of Kazakhstan is the Committee for Regulation of Trade and Tourist Activity of the Ministry for Industry and Trade of Kazakhstan. Administration is carried out through certain departments of the executive bodies of power, state-owned tourism representations in other countries.

For purposes of tourism promotion in Kazakhstan they have elaborated a certain standard-and- legal basis. There is a Law "On Tourism" enforced in 1992. It embraces virtually all types of tourism and specifies legal, economic, social and



organizational fundamentals of undertaking tourism activities on the territory of the Republic. Besides there exist several enactments concerning tourism issues adopted by the Government of the Republic. Incidentally, they include a number of documents regulating licensing of tourism activities.

The year of 1993 highlighted adoption of the National Programme for developing tourism industry in the Republic of Kazakhstan. In 1997, the authorities passed yet another document - State Programme of the Republic of Kazakhstan "Regeneration of historic centres of the Great Silk Route, preservation and successive development of cultural legacy of Turkic-speaking states, creation of tourism infrastructure in 1997-2003". In addition, in 1997 they have elaborated a Strategy of tourism development up to the year of 2030.

Nowadays 430 tourism agencies, firms and bureaus of various property forms function in the Republic of Kazakhstan. They employ nearly 6,000 people, 1,500 professional guides.

Kazakhstan tourism firms co-operate with almost 80 countries of the world. Some 25 tourism firms in Almaty and 5 companies in regional centres arrange charter flights to India, Turkey, the United Arab Emirates, Pakistan, South Korea, Greece and Poland.

As a matter of fact Kazakhstan provides for all ever known varieties of tourism - cognitive, entertaining, ethnic, ecological, rehabilitative, children-oriented, sportive, hunting, equestrian and adventure ones.

Potential tourists are offered over 700 travel routes around the territory of Kazakhstan.





Kazakhstan has experienced significant growth of tourist inflow from the UK over last years – in addition to those visiting Kazakhstan to explore the country for business opportunities in different spheres. And with the recent bold visa simplification procedures (letters of invitation are no longer required for EU, US and some other citizens) still greater number of visitors to Kazakhstan is expected.

In Kazakhstan you can find a wide range of accommodation – from cosy bungalows on the shore of a crystal-clear lake to luxury 4 and 5 star hotels suitable for the highest-ranking international conferences. All hotels offer genuine Kazakh hospitality, western-style comfort and a warm and caring service.

Kazakhstan can offer more than 370 hotels of various classes with a simultaneous accommodation of 36,876 people. Almaty offers 25 hotels to the capacity of 4,950 places.

Given the unique natural beauty and rapid growth of inbound tourism, Kazakhstan government pays a great deal of attention to the promotion of its tourist potential abroad and participates in international travel fairs and exhibitions all around the world on the regular basis. The World Travel Market in London is one of the most important annual events in the tourist sphere for Kazakhstan and that is why Kazakhstan has been taking part in this established exhibition since 2001.

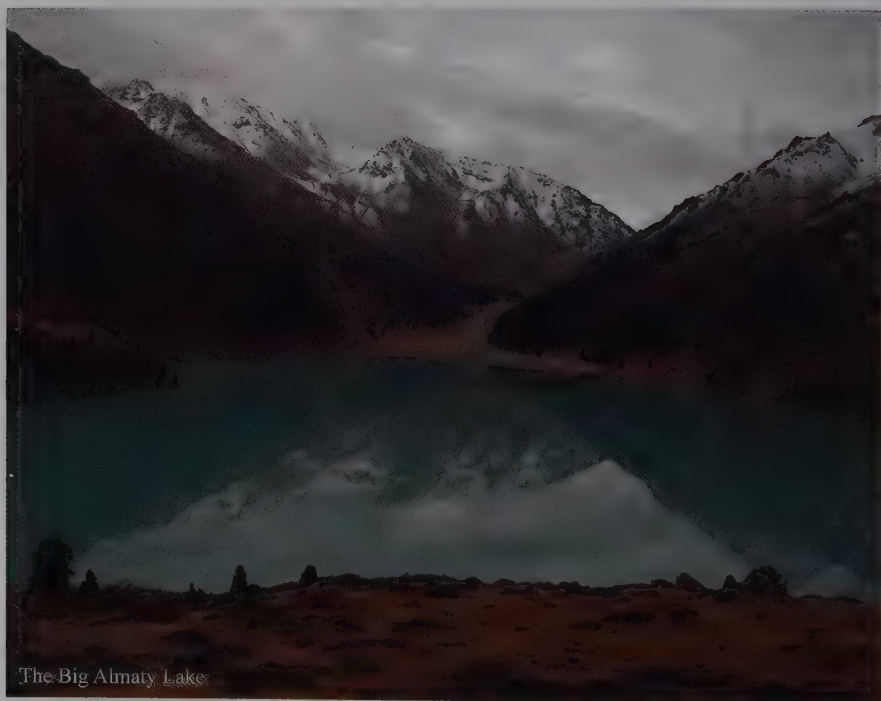
The Republic of Kazakhstan is well known for rather unique natural and geographic diversity.

South-Kazakhstan (Almaty, Jambyl, South-Kazakhstan and Kyzylorda regions) is an area rich with ancient history and culture known for such famous monuments of medieval architecture as mausoleums of Aisha-Bibi, Karakhan,





Extraterrestrial mountains of Mangyshlu region in Western Kazakhstan



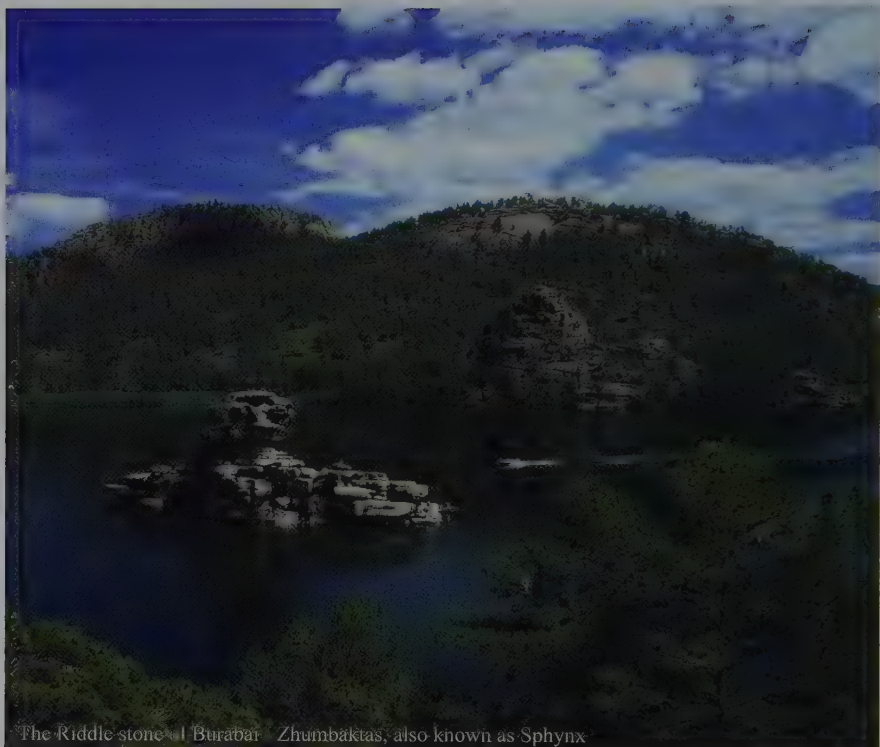
The Big Almaty Lake



Babadzha-Khatun in Taraz, an architectural ensemble of Khodja Akhmet Yasavi in Turkestan, etc. This list may be nicely supplemented with unique Scythian burial mounds in Semirechje (Almaty region). It is, incidentally, the very region that has played host to the world-famous space-vehicle launching site Baikonur. Besides, the region affords unique climatic opportunities for recreation, rehabilitation, hunting, and alpinism, mountain skiing and skating.

West Kazakhstan (Aktobe, Atyrau, Mangystau regions) is situated on the crossroads of the European and Asian continents in the basin of the Caspian Sea, the Volga and the Ural. It is the location of the world second deepest depression - that of Kargije lying 132 m below sea level, remarkable chalky rocks. One can find here fine areas rich with game which promise good hunting, can entertain ideas of good luck in angling, in water sports. Tremendous scientific interest present reserves and monuments of ancient Mangyshlak and Ustyurt, numerous memorable places evoking Kazakh epos.

North Kazakhstan (Kostanay, North-Kazakhstan and Pavlodar regions). Everything here - landscape, climatic conditions - favour all sorts of tourist recreation - automobile, bicycle, water ones.



The Riddle stone or Burabar Zhumbaktas, also known as Sphinx

Health resorts of Kokshetau, Bayan-aul, Muyaldy offer fine rehabilitation opportunities while natural preserves Kurgaldzhino and Naurzum would be quite interesting for amateurs of “cognitive” tourism.

Central Kazakhstan (Karagandy region) displays to perfect advantage one of the largest lakes of the world - the lake of Balkhash supplemented by a unique mountaneous and forest oasis. The area harbours plenty of memorable places exhibiting various archaeological and ethnographic relics.

East Kazakhstan is represented by the Altai and its wooded foothills, the river of Irtysh and such lakes as Zaisan, Markakol, Alakol, Sauskan. Extremely rich are flora and fauna of the region. Besides Semipalatinsk region is the birthplace of the great Kazakh poet - enlightener Abay Kunanbaev, remarkable writer Mukhtar Auezov.





### **National holiday**

December 16-17 – Independence Day.

### **State holidays**

January 1-2 – New Year

March 8 – International Women Day

March 22-24 – Nauriz (traditional holiday of Spring - ancient Turkic (Kazakh) New Year),

May 1 – Unity Day of Kazakhstan people

May 9 – Victory Day

July 6 – Astana Day

August 30 – Constitution Day

December 16-17 – Independence Day

### **Local time**

Kazakhstan is divided into two time zones

Eastern zone, Western zone

GMT + 6 hours (time in the capital of Kazakhstan – Astana) and GMT + 5 hours when the UK and a number of other countries worldwide switch to daylight saving time. Kazakhstan does not switch time to DST.

**Languages**

The state language in the Republic of Kazakhstan is Kazakh, which belongs to Turkic group. Russian is also widely used.

**Currency**

The national currency of Kazakhstan is Tenge (100 tiyn). There are banknotes of T 10 000, 5 000, 2 000, 1 000, 500, 200. The coins of T 1, 5, 10, 20, 50, 100.

**Currency exchange**

Official exchange rate (December 2009): US\$ 1 – KZT 149.1. The exchange of foreign currency to Tenge and back is carried out in any bank or official exchange offices. It is advisable to keep documents of exchange of large amounts before departure from the country.

**Banking hours**

09.00 AM till 06.00 PM Monday-Friday

Break for lunch 01.00 PM – 02.00 PM

**Credit cards**

Almost all international credit cards, including AmEx, Diners Club are accepted in the majority of large hotels of Almaty and Astana cities as well as in the majority of large shops and restaurants.

**National dishes**

In general, Kazakhs prefer meat dishes. Favourite national dish of Kazakhs is beshbarmak. Beshbarmak is cooked of lamb, horse meat, beef and dough. Such dishes of horse meat as kazy, karta, zhal, zhaya and, of course, kumys (mare's milk) are favourite dishes. Medicinal drink kumys (mare's milk) has curative qualities and effect and is used for treatment of lung and intestinal-gastric illnesses. Taking into account that peoples of more than hundred nationalities live in Kazakhstan, cuisine of Kazakhstan is diverse. People here love national dishes of Russian, Uighur, Ukrainian, Uzbek, Korean and European cuisine. In many cities of the country there are many restaurants and cafes where you are offered the variety of dishes of the national, European and other cuisines.

**Other useful information**

*Electricity:* 220 volts AC, 50

***Communications:***

Telephone: country code – 7, code of Astana city – 717 2, code of Almaty – 727  
International calls can be easily made. Telegram facilities available from any post office. Full postal facilities are available at main post offices in the cities, which are open 24 hours a day, 7 days a week.

## ACCOMMODATION:

### Hotels in Astana

#### \*\*\*\*\*Hotel "Okan Inter-Continental Astana"

Address: 47, Abai St.  
Phone: +7 (717 2) 39 10 01  
Fax: +7 (7172) 39 10 10  
E-mail: [astana@interconti.com](mailto:astana@interconti.com)  
[www.interconti.com](http://www.interconti.com)

#### \*\*\*\*\*Radisson SAS Hotel, Astana

Address: 4, Sary Arka Ave.  
Phone: +7 (7172 ) 66 00 00  
Fax: +7 (7172) 66 22 22  
E-mail: [info.astana@radissonsas.com](mailto:info.astana@radissonsas.com)

#### \*\*\*\*\*Rixos President Hotel Astana

Address: 7, First St.  
Phone: +7 (7172) 24 50 50  
Fax: +7 (7172) 24 27 60

### Hotels in Almaty

#### \*\*\*\*\*Hotel "Intercontinental Almaty - Ankara in Kazakhstan"

Address: 181, Zheltoksan St.  
Phone: +7 (727) 250 37 10 (-18)  
Fax: +7 (727) 258 11 00  
Reservation ph.: +7 (727) 263 69 81,  
Fax: +7 (727) 250 37 19  
E-mail: [business1@regent-almaty.kz](mailto:business1@regent-almaty.kz)

#### \*\*\*\*Business class "Comfort Hotel"

Address: 60, Kosmonavtov St.  
Chubary district  
Phone: +7 (7172) 22 10 21, 24 26 68

#### \*\*\*Hotel "Akku"

Address: 22, Ryskulov St.  
Phone: +7 (7172) 32 41 99

#### \*\*\*\*Hotel "Sunkar"

Address: 51, Sembinova St.  
Phone: +7 (7172) 34 55 87, 34 58 03

#### \*\*\*\*Hotel "Grand Park Esil"

Address: 8, Beibitshilik St.  
Phone: +7 (7172) 59 19 01, 59 20 15

#### \*\*\*Hotel "Abai"

Address: 33, Republic Ave.  
Phone: +7 (7172) 33 01 00

#### \*\*\*\*\* Hotel "Hyatt Regency Almaty"

Address: 29/6, Satpaev Ave.  
Phone: +7 (727) 250 12 34, 250 92 34  
Fax: +7 (727) 250 88 88

#### \*\*\*\*Hotel "Kazakhstan"

Address: 52, Dostyk Ave.  
Phone: +7(727) 291 91 01, 291 91 25  
Fax: +7(727) 291 96 00

#### \*\*\*Holiday Inn Almaty

Address: 10, Timiryazeva St.  
Phone: + 7(727) 244 02 55

#### \*\*\* Hotel "Sonar"

Address: 176/2, Gogol St.  
Phone: +7(727) 268-28-20, 268-13-35

#### \*\*\*Hotel "Ambassador"

Address: 121, Zheltoksan St.  
Phone: +7(727) 250 50 89  
250 89 89  
fax: +7(727) 269 64 41

#### \*\*\*Hotel "Astana-Interhotel"

Address: 113, Baitursynov St.  
Phone: +7 (727) 250 70 50  
Fax: +7 (727) 250 10 60

#### \*\*\*Hotel "Dostyk"

Address: 36, Kurmangazy St.  
Phone: +7(727) 258 22 70

#### \*\*\*Hotel "Zhetysu"

Address: 55, Abylai Khan St.  
Phone: +7(727)250-04-10,250-04-16  
e-mail: [jjoly@kazmail.asdc.kz](mailto:jjoly@kazmail.asdc.kz)

#### \*\*\*Hotel "Otrar"

Address: 73, Gogol St.  
Phone: +7 (727) 250 68 06, 250 68 30  
fax: +7(727) 250 68 09

#### \*\*\*Hotel "Almaty"

Address: 85, Kabanbai Batyr St.  
Phone: +7 (727) 272-00-70, 272-00-47



From the heart of Eur

www.airastana.com



Astana:	+ 7 (7172) 210764	New Jersey:	1-866-8888-164
Almaty:	+ 7 (727) 2703094	Amsterdam:	+ 31-20 44 66 354
Aktau:	+ 7 (7292) 511 565	Moscow:	+ 7 (495) 980 71 84/85
Aktobe:	+ 7 (7132) 548 501	Dubai:	+ 971 4 316 6572
Atyrau:	+ 7 (7122) 255 340	Beijing:	+ (8610) 646 510 30
Karaganda:	+ 7 7212 561208	Germany:	+ 06105-206022
Kostanay:	+ 7 7142 546875	Bangkok:	+ 66-2-251-4700
Kyzyl-Orda:	+ 7 72422 70392	Seoul:	+ 82-2-3788-0170\1\2
Uralsk:	+ 7 (7112) 515 151, 507 079, 515	London:	+ 44 (01293) 596622
044 Oskemen:	+ 7 7232 243233	Delhi:	+ 91-11 515 214 25
Pavlodar:	+ 7 7182 320091	Frankfurt:	+ 49-6105 20 60 22
Shymkent:	+ 7 7252 549861	Hanover:	+ 49-511 977 2476
		Istanbul:	+ 90-212 343 49 60

## USEFUL CONTACTS

Travel and Visa information: [www.mfa.kz](http://www.mfa.kz)

Kazakhstan's OSCE Chairmanship: [www.osce2010.kz](http://www.osce2010.kz)

Information on all aspects of Kazakhstan (including news): [www.kazakhstanlive.com](http://www.kazakhstanlive.com)

## **OTHER USEFUL LINKS**

Visit [www.expat.kz](http://www.expat.kz), [www.travelers.kz](http://www.travelers.kz), [www.english.valmati.ru](http://www.english.valmati.ru), for comprehensive information on Almaty as a travel destination.

A wonderful and most popular ski resort in Kazakhstan – Chimbulak [www.chimbulak.kz](http://www.chimbulak.kz)

[www.kantengri.kz](http://www.kantengri.kz)  
[www.acs-almaty.kz](http://www.acs-almaty.kz)  
[www.centralasiatourism.com](http://www.centralasiatourism.com)  
[www.group.kz](http://www.group.kz)  
[www.kazakhstan-ecotourism.org](http://www.kazakhstan-ecotourism.org)  
[www.ren.kz](http://www.ren.kz)  
[www.wild-natures.com](http://www.wild-natures.com)  
[www.yassawi.kz](http://www.yassawi.kz)  
[www.kazakhstanbirdtours.com](http://www.kazakhstanbirdtours.com)  
[www.ecotourism.kz](http://www.ecotourism.kz)  
[www.astana-hotel.com/vd/photo](http://www.astana-hotel.com/vd/photo)

## **RECOMMENDED PUBLICATIONS:**

*Odyssey Kazakhstan: "Nomadic Routes from Caspian to Altai"* by Dagmar Schreiber. A fully illustrated guide to the Central Asian nation, with essays on history, culture, architecture and nature, and plenty of practicalities. (ISBN: 978-962-217-789-5, \$29.95)

*Hedonist's Guide to Almaty and Astana* by Lucy Kelaart and Summer Coish. Whether it's sipping vodka cocktails in Almaty's lounge bars, admiring Astana's architecture, visiting the churches and mosques or venturing into the countryside to ski or explore the dramatic steppe, this guide covers Kazakhstan's capitals that blends a Soviet past with Eastern architecture and hospitality. (ISBN: 978-I-905428-21-2, \$18.95)

*Apples Are from Kazakhstan: The Land that Disappeared* by Christopher Robbins. "Robbins's travelogue enthusiastically and infectiously blends history, observation, and mini biographies. . . . A captivating read notable for off-the-cuff candor and measured, eloquent prose." —Kirkus Reviews (starred review). (ISBN: 978-0-9777433-8-4, \$24)

*Kazakhstan (Bradt Travel Guide)* by HE Paul Brummel, UK Ambassador to Kazakhstan. Located between Russia and China, the state of Kazakhstan possesses an incredible diversity of natural beauty; this guide includes arrangements for visiting natural parks and reserves and special features such as singing sand dunes and the Sharyn Canyon - Asia's equivalent of the Grand Canyon. (ISBN-10: 1841622346)



Astana's urban landscape  
of the 21st century

## ASTANA – THE NEW CAPITAL OF KAZAKHSTAN

### General information

In 1832, on the banks of the Yessil (also called Ishim) river, in the Karaotkel woods, Akmolinsk outer military district was founded. As a result, Akmola soon turned into a central point for trade livestock fairs.

The city was given its present name in 1998.

Until 1961 the name of the town was Akmolinsk.

From 1961 to 1992 the city was named Tselinograd.

From 1992 till 1998 the name of the city was Akmola.

The city is located in the north of Sary Arka (in Kazakh Yellow Highlands), on the right bank of the Esil river. In 1998 the city area comprised over 300 sq. km. But nowadays city boundaries are expanding very fast.

Astana is a major centre of activity and hub of national and international transport links. The extensive traffic is mainly due to strong economic ties between South and Central Kazakhstan, Western Siberia and the Ural region, the Volga region and Central Russia.

The distance between Astana and Almaty is 1,318 km.



By 1998 Astana had around 300 000 population. During the last years its population is growing rapidly. In the year 2008 the number of Astana population reached about 700 000 people. It is expected that in the near future the population will be increasing further due to intra- and inter-territorial migration.

Basic reasons for the move of the capital to Astana and objectives of the Astana Special Economic Zone are the following:

- Advantageous geopolitical location of the city in the centre of the country;
- Considerable industrial potential in Astana;
- The existence of essential resources for subsequent development of construction industry;
- Location in the largest transport junction and availability of essential transport and telecommunication infrastructure;
- The availability of highly skilled urban workforce;
- The existence of a large private sector and potentialities for entrepreneurship development;
- Political and social stability in the region;
- The availability of free lands for further urban development.

Together with a set of economic, geographical, environmental, demographical etc. reasons for moving the capital to Astana one of the most important underlying reasons is a sincere attempt to build a new city which will represent the new face and image of a modern, economically stable and prosperous, democratically viable Kazakhstan looking into the future.





## Astana is the City of the Future

Astana is the new capital of the Independent Republic of Kazakhstan. In 1997, the President of the Republic made the decision to relocate the capital of the country from Almaty to Akmola city. This was a historical decision motivated by the advantageous geographical and political location of the city in the heart of the country and at the intersection of the country's main transport routes. This decision has determined the future development of our new State.

During the historical inauguration ceremony for the new Kazakhstan capital the President of the Republic declared: "From now on any major decisions important for the future of the people will be made here in the centre of this colossal country. Now the heart of our motherland is beating here. Kazakhstan is making and defining its history and destiny here and today."

In 1998, the decision was made to change the name of the new capital Akmola to Astana, which translates from the Kazakh language as "capital". At the present time the city of Astana is growing, changing, gaining power and enhancing its international prestige and reputation, becoming the symbol of the rapid renovation of Kazakhstan.



The capital is growing very rapidly as the administrative and business centre of Kazakhstan in accordance with the original concept of the social and economic development of the city. The theme of this concept is “The blossoming of Astana is the blossoming of Kazakhstan”. More than 200 joint ventures and foreign companies are operating in the capital, the majority of these companies belonging to such countries as Turkey, Russia, Germany, Kyrgyzstan and Switzerland.





Astana is a member of the International Association of Capitals and Cultural Cities of the CIS along with 40 other cities of the CIS and the Baltic Republics; it has close bilateral relations with 13 cities and regions of the CIS and foreign countries.

Astana is one of the biggest centres of culture and the arts in Kazakhstan. The Presidential Cultural Centre of the Republic of Kazakhstan has been established in the centre of the new city. The structure of the Centre includes a Museum with various rooms and displays representing the historical values of the past and the present of Kazakhstan. There is a library containing more than a million books and electronic catalogues in the centre.

The Kazakh National Music Academy has been established in Astana. This Academy combines all the stages of specialised and general musical education into one school of uninterrupted musical education. The Academy is a member of the European Association of Conservatories, Academies and Musical High Schools.



Theatres in the capital are full of popular events. Spectators like attending events in such theatres as the Theatre of Drama and Music named after K. Kuanyshbaev (first opened on the 15th of November 1991) and the State Theatre of Russian Drama named after M. Gorky. In 2000, the National Opera and Ballet Theatre named after Kulyash Baiseitova was opened. The pristine new cinema complex named "Cinema-City" was also opened in 2000. It was built in accordance with the best traditions of international cinemas and it has become one of the favourite places to visit for the people of Astana.



Construction of the new city developments planned for the left bank of the Esil River has started. To help the process a Special Economic Zone providing more favourable conditions for investment has been created. According to the General Development Plan of the Capital the integrated structure of the this complex, which is located on the left bank, will symbolise the new Kazakhstan capital.



**The creation of the SEZ will be beneficial both for the state and for the potential investors.**

The benefits for the investors:

- The state support of direct investments into construction of Astana city.
  - Significant tax privileges and preferentials.
- Opportunities to introduce modern technologies and scientific achievements in the field of construction.
- Getting land for construction in the new centre of the capital.



- Formation and development of real estate market.
- The guaranteed right to prolong the investment activity on the initial terms until the expiry of the SEZ period, but not more than for 10 years, irrespective of the changes in the juridical regime of the SEZ or its liquidation before the appointed time, including the extension of the area.

The customs regulation in the territory of the SEZ is applied in accordance to the customs legislature of Republic of Kazakhstan. The territory of the SEZ is considered to be a part of the territory of the Republic of Kazakhstan with customs free regime.

The following goods and equipment are favoured in to the free customs zone:

- machines and equipment for construction;
- goods, which will be completely consumed in construction;
- goods and equipment necessary for construction.

Astana is a city of the future. We are proud of our new capital. It is very symbolic that Astana has been granted the status "City of Peace" by decision of UNESCO in 1999.

## **Business magnet**

Construction and the business of government have spurred investments in the local economy as well. Between 2000 and 2004, the number of new legal entities registered in the capital increased by a factor of 2.3, and the local housing stock has nearly tripled in size. The centres of the capital city's economic activity are construction, the food industry and tourism. The city boasts a large and growing number of restaurants and hotels catering to business travellers, as well as a major exhibition centre and universities.

Astana boasts a number of higher educational establishments including the Lev Gumilyov Eurasian University. It is not only in Kazakhstan but also far beyond its confines that the scientific world is familiar with the works of experts of the A.Barayev Research Institute of Grain Farming. In Astana one can find three museums, two drama theatres, branches of the Union of Writers and Artists of Kazakhstan, with over 40 newspapers and 2 literary magazines being published in the city.

The region around Astana is by right one of the Republic's granaries and a big centre of agricultural machine-building. In fact it produces one fifth of all the grain, one tenth of cattle-breeding products with one fourth of grain being sold to the state. Areas under crops constitute 3422,6 ha. Just as well-developed is meat-and-milk cattle-breeding, pig-breeding, sheep-breeding, horse-breeding and poultry farming. The region's entrails harbour deposits of gold, uranium, bauxites,

antimony, copper, lignites, caoline ores, quartz sands and other commercial minerals. Traditionally, development of industries in the region was associated with agriculture, with processing of agricultural raws. The region is fairly active in conducting foreign economic activities, it maintains mutually-advantageous relations with the states of both the near and the far abroad. Russia, Uzbekistan, Belarus and Tajikistan are major trade partners thereof. Exported to CIS countries is primarily grain, meat, flour and milk products while imports consist in fuel and power resources, products of chemical industries, timber, saw-timber, paper, rolled stock of ferrous metals and consumer goods. From among foreign countries the main share of exports is shipped to the USA, China, France, Germany, Turkey and Austria. These countries receive uranium oxide, molybdenum, fertilizers. Prevailing in import deliveries are food products and machinery for agroindustrial complex.

Astana and the northern region of the country can afford tremendous prospects of development. Concentrated in northern Kazakhstan are all reserves of industrial diamonds ever prospected in the Republic, two thirds of tin, over 30% of zirconium, 25% of uranium and 15% of gold. No wonder that mining in the region has a fine chance of sustained development. The transfer of the country's capital to Astana has exerted ever greater influence on neighbouring industrially developed regions - Karagandy, Pavlodar, East Kazakhstan and Kostanay. In addition it is a fine prerequisite for the development of entrepreneurship and businesses which would invariably trigger opening of main offices of (foreign) companies and firms, branches of major banks with eventual move of the banks themselves.

### **Sports Mecca**

Astana's other tourist attractions include "Astana-Baiterek," a monument to the country's independence with a sweeping view of the city, a circus, an ethnic park, a presidential culture museum and the world's most inland oceanarium. With a huge new, 10,000-seat Astana Arena stadium and cycle track, Astana is also fast becoming a mecca for sports tourism. New sport centres are planned in the neighbouring areas of Korgalzhyn, Ereimentau.

### **New Wonder of the World?**

The inauguration in September 2006 of the new, 62-meter-tall Palace of Peace and Accord, also known as the Peace Pyramid, will mark another milestone in Astana's evolution and may well become the Eighth Wonder of the World. Built to house the Assembly of Nations of Kazakhstan, a university, a museum, a library and a winter garden, the pyramid was designed by British architect Sir Norman Foster, who is famous for his futuristic glass roof on the German Parliament (Reichstag). The Palace of Peace and Accord will be ready for the beginning of the Second Congress of World and Traditional Religions.



## Geography

Astana lies in the North of the central part of the Republic of Kazakhstan. Its territory is as large as 96,800 sq km. The surrounding landscape is far from uniform: hilly areas intermingled with low mountains, plain and river valleys. In the North we find spurs of the Kokshetau elevation, in the southern and south-eastern portions of the region it is "spurred" by the Saryarka (Kazakh hummocky topography) with plains in the North-East.

The climate is sharply continental with aridity rapidly increasing to the South. The average temperature in January - 14° - 18° C, rising to +20° to +24° C in July. At the extreme, winter temperatures can reach - 40° C and summer temperatures sometimes rise above + 35° C, with dust-laden storms and hot dry winds.

The largest rivers in the area are the Yessil and the Nura with such lakes as the Tengh, Karasor, Korgalzhyn, Balyktykol, and Kypshak.

## Nature

The region counts 55 species of animals, 180 species of birds and 30 species of fish. The rarest species of all are Pamir argali (arkhars), saker falcons, golden eagles, bustards, demoiselle cranes, steppe eagles, Dalmatian pelicans, little bustards and flamingos. To protect rare disappearing species of animals on the territory of the region state nature and game preserves have been set up. Some 66 species of vegetation sprout in the region. The area of all green plantations and similar massifs makes up 4,391.6 ha.



## **Giant tent to provide relief from Astana's winters**

In the nearest time, Astana's residents may be able to enjoy a pleasant afternoon outdoors, even in the harshest winters, by taking refuge under a giant, 500 foot high transparent tent.

Also designed by the renowned British architect Lord Norman Foster, the dome will be made of a transparent material that absorbs and retains sunlight. Winter temperatures in Astana can reach as low as minus 30 degrees, but inside the tent they will instead stay at a near constant 15 degrees.

This will be the second giant project in Astana by Lord Norman Foster after the commissioning in 2006 of his first project the Pyramid of the Palace of Peace and Accord.

The tent will contain a "miniature city" roughly the size of ten football pitches. Underneath the dome, residents will relax around cafes, shopping centres, canals, and a nine hole golf course. Additionally the dome will contain artificial beaches and a concert hall to seat 5,000.

"Nothing of this sort has ever been done before, and from the engineering point of view, it's an extremely difficult project," said Fethi Tamince, the head partner of Sembol, the Turkish development company constructing the tent.

The tent will be named Khan Shatyr (can be easily interpreted as the King Marquee) after the tent-like structures used by ancient nomads.

Astana became the country's capital in 1997. Located in northern central Kazakhstan, Astana has experienced an astonishing construction boom since that time with a completely new city growing on the left bank of the Ishim river complete with skyscrapers, huge apartment buildings, embassies, and a glass and steel pyramid of Palace of Peace and Accord, also designed by Lord Foster. Astana's population has more than doubled since 1997 to close to 700,000 now, making it the second largest city in the country after Almaty, its former capital.

President Nazarbayev, who spearheaded the decision to move Kazakhstan's capital, believed that Astana held greater potential for future development than a picturesque Almaty in the foothills of the Tian Shan mountains, which is hemmed in by those mountains and located near the country's eastern border.

December 10, 2006 marked the ninth anniversary of Astana as Kazakhstan's capital. In a BBC interview President Nazarbayev said that he is pleased with the progress that has been made over the past nine years and that he considers Astana one of his biggest successes. "I put everything at stake, including my career and my name. It was a huge risk, and I took it intuitively," Nazarbayev said.

More information about Khan Shatyr is available at [www.khanshatyr.com](http://www.khanshatyr.com)

## NATURE RESERVES OF THE REPUBLIC OF KAZAKHSTAN



**Aksu-Zhabagly** (South-Kazakhstan region). Set up in 1927. It derived its name from those of Aksu and Zhabagly. Quite remarkable is the canyon of the Aksu river: its banks are almost vertical (up to 300-500 m), often fairly inaccessible. Total area makes up 85,300 ha. It embraces picturesque Alpine landscapes of North-West ridges of the Talass Alatau and the Ugam range. In the reserve one can find 1,404 species of plants while the fauna is represented by 47 and 239 species of animals and birds respectively. Typical inhabitants - Siberian ibex, roe, Caspian

deer, boar, weasel, vulture with rare species among them: snow leopard, Turkestan lynx, Pamir argali, red bear, golden eagle, saker falcon, short-toed eagle.



The reserve plays host to paleontological burial places Karabastau and Akbastau on the slopes of the Karatau mountain. We witness here rarest ever imprints of all sorts of fish, molluses, tortoises, insects of Jurassic period which once inhabited the sea basin that lapped here some 120 million years ago.



Naurzum one (Kostanai region). Set up in 1934 with the aim of protecting the Naurzum pine forest - one of the southernmost massifs of pine forests in Kazakhstan while the region's lake harbours nesting places of water fowl. The territory is as large as 87,700 ha. The reserve is inhabited with 39 species of animals and 239 species of birds and there grow some 961 species of plants. Incidentally, white heron refers to one of the exceedingly rare and most interesting inhabitants of the reserve.

**Kurgaldzhino** (Akmola region). Set up in 1968 for purposes of preserving the rarest ever nesting bird - pink flamingo. Indeed, the lake of Tenghiz is the northernmost nesting place of the pink flamingo. The reserve extends for

some 243,700 ha of which 199,200 ha, i.e. more than one half thereof, is occupied by water table. One can encounter here 42 species of animals, 298 bird species and 331 species of plants. The number of waterfowl here is particularly impressive let alone the fact that it includes such rare species as Dalmatian pelican, flamingo and mute swan, both nesting and ecdysial.



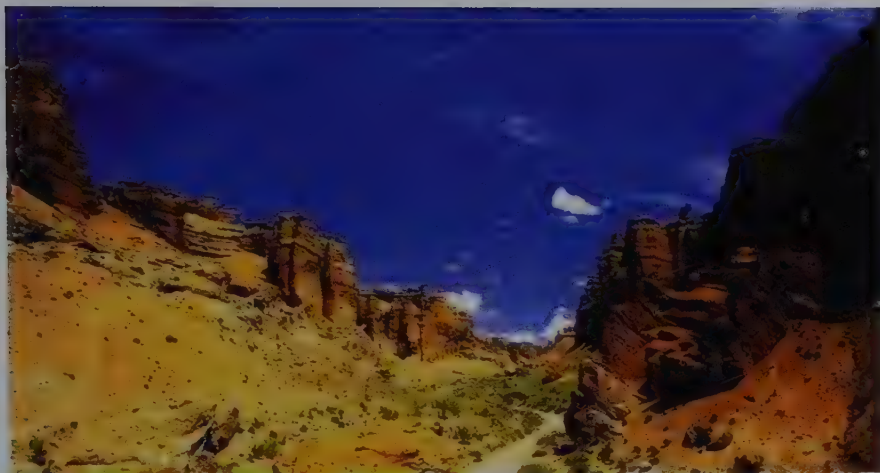
Tenghiz-Kurgaldzhino lakes are the place that attracts immense numbers of waterfowl in periods of spring migrations, the very phenomenon that has brought world renown to the reserve. It is far from fortuitous that the place is entered in the list of UNESCO as a particularly protected landscape of swamp-and-lake areas.

**Almaty reserve** (Almaty reion). Founded in 1961 to enclose the territory of 73,300

ha. The reserve numbers 137 species of plants, 39 species of animals and 200 species of birds. Referring to rare ones are red bear, snow leopard and Turkestan lynx.

The reserve proper includes a desert-like section of the valley of the Ili-river known for its uncommonly unique natural phenomenon - sand barkhans. These are the so-called "singing sands" 150 m high producing loud sounds when one moves along their floaty slopes. The landscape is quite picturesque, "embellished" with plentiful glaciers, firm basins and rocks.





Markakol natural reserve (East Kazakhstan region). Set up in the year of 1976 as a measure of protection and study of the natural complex of the South Altai. The area totals 75,000 ha. There are 721 species of plants, 59 species of animals and 25 species of birds in the reserve. Most common species are bears and Caspian deer. Of particular interest is no doubt a big mountain lake Markakol of tectonic origin: it lies at a height of 1,485 m above sea level. Its water table ranges for some 544 sq.m with maximum depth down to 27 m. One of the inhabitants thereof is a quite rare fish - uskuch whitefish.



Ustyurt reserve (Mangystau region). Set up in 1984 with the territory of 223,000 ha. It occupies a portion of the chink of the Ustyurt plateau. There are no permanent water flows but there occur drainless basins of which the largest is Barsakelmes, 70x30 km in size. The reserve protects 261 species of plants, 27 animal species and 111 species of birds. Reptiles are quite widespread: 27 species. Desert monitor is entered in the Red Book. Nearly just as rare are Ustyurt munflon, long-needed hedgehog, Persian gazelle, karakal lynx, golden eagle, short-toed eagle, Egyptian vulture, saker falcon.



West-Altai reserve (East-Kazakhstan region). Set up in 1991, totalling an area of 56,000 ha. It numbers 564 species of plants, 30 animal species and 120 species of birds.



Barsa-Kelmes (Kyzylorda region). Founded in 1939. The reserve is situated on an island of the same name in the Aral sea. Its territory is as large as 30, 000 ha. Some 250 species of plants constitute its flora. Its fauna that numbers 56 species of animals includes - among others - Asiatic wild ass, Persian gazelle, corsac fox and wolf. 203 is the number of bird species.



In addition thereto there has been founded a Bayan-Aul natural park with an area of about 45,000 ha. It is by right a mountain forest oasis surrounded by desert-like steppes. Weathered granite Bayanaul mountains covered with pine and birch-tree forests govern semi-desert plains of the Kazakhstan's hummocky topography interrupted by exceedingly beautiful lakes of Zhasyby, Toraigyr and Sabyndykol.

The overall picture of Kazakhstan's natural reserves may be supplemented with 83 game reserves which cover an area of up to 4,600,000 ha. The regime prevailing therein stipulates limited economic use of only a part of natural resources. The reserves may be classified into hunting, geological, botanical, zoological, lake, swamp and landscape ones.



## DID YOU KNOW THAT...

- Kazakhstan is the world's ninth largest country with an area of 2.7 million square kilometres, roughly five times the size of France, four times the size of Texas, and more than 100 times the size of Israel.
- Kazakhstan is a truly Eurasian country, and while most of the country lies in Asia, five percent of its territory, roughly the size of Greece, is located in Europe.
- Kazakhstan is home to people of more than 130 ethnic groups who follow the teachings of 46 different religions.
- Apples, tulips and horses were first domesticated by the man on the territory of modern day Kazakhstan.
- Astana is unique because it is a capital city right in the middle of the Eurasian continent.
- Kazakhstan is home to the Baikonur space launching facility, from where the first sputnik and the first cosmonaut travelled into space.
- Kazakhstan's Altai Mountains and its magic Mount Belukha are considered to be the homeland of magic Shambala, the mystical Buddhist paradise.
- Kazakhstan borders the Caspian Sea which is the world's largest inland sea, famous for its caviar.
- Kazakhstan is home to the Karagiye Depression at the Mangyshlak peninsula located 132 metres below sea level, the second lowest point in the world after the Dead Sea.
- Genghis Khan's mother hailed from a tribe which later became part of the Kazakh people.
- Recent archaeological excavations give rise to speculation that Kazakhstan is also the homeland of the Amazons, the bold, brave women warriors described 2,500 years ago by Greek historian Herodotus.

**Committee for International Information**

**Ministry of Foreign Affairs of the Republic of Kazakhstan**

**[www.mfa.kz](http://www.mfa.kz)**

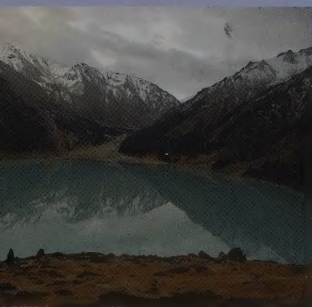
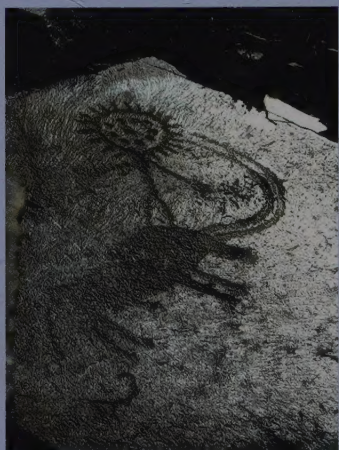
**[www.osce2010.kz](http://www.osce2010.kz)**











## Committee for International Information

Ministry of Foreign Affairs of the Republic of Kazakhstan

31, Kunaev Street, Astana, Kazakhstan 010000

[www.mfa.kz](http://www.mfa.kz)

[www.osce2010.kz](http://www.osce2010.kz)